

HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6093

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Hevol Services Group Co. Limited 和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 100,000,000 Shares
Number of Hong Kong Offer Shares	: 10,000,000 Shares (subject to reallocation)
Number of International Offer Shares	: 90,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$1.56 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 6093

Sole Sponsor



Joint Global Coordinators



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

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of 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 to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$1.56 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

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

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price stated in this prospectus 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, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hevolwy.com.cn not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further details, please refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting – Hong Kong Public Offering Underwriting Arrangements and Expenses – The Hong Kong Underwriting Agreement – Grounds for Termination" in this prospectus for further details.

27 June 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.hevolwy.com.cn.

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Wednesday, 3 July 2019
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Wednesday, 3 July 2019
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Wednesday, 3 July 2019
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, 3 July 2019
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 3 July 2019
Application lists of the Hong Kong Public Offering close	12:00 noon on Wednesday, 3 July 2019
Expected Price Determination Date ⁽⁵⁾	Wednesday, 3 July 2019

(1) Announcement of:

- the level of applications in the Hong Kong Public Offering;
- the indication of level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

expected to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hevolwy.com.cn on or before Thursday, 11 July 2019

EXPECTED TIMETABLE⁽¹⁾

- (2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.hevolwy.com.cn (please refer to the section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectus for further details) fromThursday, 11 July 2019
- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.hevolwy.com.cn⁽⁷⁾ fromThursday, 11 July 2019

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) 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 fromThursday, 11 July 2019

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾Thursday, 11 July 2019

Dispatch of White Form e-Refund payment instructions/refund cheques on or before⁽⁹⁾Thursday, 11 July 2019

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. onFriday, 12 July 2019

Notes:

- (1) All times and dates refer to Hong Kong local time and date, 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 prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (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 Wednesday, 3 July 2019, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus for further details.
- (5) The Price Determination Date is expected to be on or around Wednesday, 3 July 2019 (or such later date as agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters)). If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and us by Thursday, 4 July 2019, the Global Offering will not proceed and will lapse.
- (6) The announcement will be available for viewing on the Stock Exchange’s website at www.hkexnews.hk.
- (7) None of the website or any of the information contained on the website forms part of this prospectus.
- (8) **Share certificates are expected to be issued on Thursday, 11 July 2019, but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**
- (9) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications.**

You should read carefully the sections headed “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a reputable market player in the property management industry in China providing property management services, community-related services and property developer-related services in the PRC for more than 16 years. According to the China Index Academy, we were ranked 58th, 48th and 44th among the China Top 100 Property Management Companies (中國物業服務百強企業) in terms of overall strength of property management (中國物業管理綜合實力) in 2017, 2018 and 2019, respectively, and we were considered as a growing China Top 100 Property Management Company from 2017 to 2019 in terms of overall strength of property management based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. Moreover, we were among the early movers of property management service providers to have obtained the first class property management qualification in the PRC in 2009, which have enabled us to undertake property management projects across China, irrespective of property size, business scale and location.

Through our long-standing and continuous cooperation with Hevol Real Estate Group, we have obtained a variety of quality projects which help us accumulate extensive experience, local knowledge and operational expertise in property management services. For the years ended 31 December 2016, 2017 and 2018, our revenue from Hevol Real Estate Group amounted to RMB27.7 million, RMB26.2 million and RMB29.1 million, representing 16.4%, 13.4% and 13.0% of our total revenue for the same periods, respectively. In particular, for the same periods: (a) our revenue from Hevol Real Estate Group through provision of property management services amounted to RMB13.4 million, RMB16.9 million and RMB13.6 million respectively (representing 11.6%, 12.4% and 8.8% of our total revenue under this segment for the same periods); (b) our revenue from Hevol Real Estate Group through provision of property developer-related services amounted to RMB12.2 million, RMB8.2 million and RMB13.9 million respectively (representing 100.0%, 100.0% and 100.0% of our total revenue under this segment for the same periods); and (c) our revenue from Hevol Real Estate Group through provision of community-related services amounted to RMB2.1 million, RMB1.1 million and RMB1.6 million respectively (representing 5.2%, 2.1% and 2.9% of our total revenue under this segment for the same periods). As at the Latest Practicable Date, we managed a total of 34 property management projects, including high-end residential communities with ancillary commercial properties, as well as other types of public facilities. The majority of the property management projects we managed were developed by Hevol Real Estate Group. During the Track Record Period, Hevol Real Estate Group engaged our Group for all of its preliminary property management service agreements under its development and those property management projects in respect of which relevant property owners’ associations were subsequently established. For the years ended 31 December 2016, 2017 and 2018, our revenue generated from property management services in relation to properties developed by Hevol Real Estate Group was RMB112.8 million, RMB131.4 million and RMB148.9 million, representing 97.3%, 96.3%, and 95.9% of our revenue generated from property management service, respectively. We have also successfully expanded our property management portfolio through securing three property management service agreements for properties developed by independent third-party developers or institutions in public biddings. Please refer to the section headed “Business – Competitive Strengths” in this prospectus for further details.

Through the provision of property management services, we have achieved revenue growth, expanded our business and established our loyal customer base, all of which serve as

* Each year the CIA publishes the China Top 100 Property Management Companies, a ranking of property management companies in terms of overall strength based on the data from the previous year on key factors such as management scale, operational performance, service quality, growth potential and social responsibility. For further details, please refer to the section headed “Industry Overview – Research Background and Methodologies” in this prospectus.

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a solid foundation for the provision and further development of our value-added services. Our community-related services complement our property management services and enhance the satisfaction and loyalty of property owners and residents. Our property developer-related services complement our property management services through providing sales assistance services to property developers during the development and selling phase of their properties. We strive to provide high-quality services to our customers through our standardised, and smart management process which allows us to strengthen our operational efficiency and effective control over our costs.

Over the years, we have developed our business model which integrates the full spectrum of property management services along the industry value-chain and successfully expanded our geographical coverage in China. Since the commencement of our property management services in 2002 in Beijing, we have successfully replicated our business model and expanded our service coverage to the cities which are strategically critical for our development and expansion in 11 cities across different four geographical regions in China, including northern region, southwest region, northeast region and southern region. Our total contracted GFA increased by 5.8% from 6.8 million sq.m. as at 31 December 2016 to 7.2 million sq.m. as at 31 December 2017, and further increased by 13.3% to 8.2 million sq.m. as at 31 December 2018, representing a CAGR of 9.8% from 2016 to 2018.

OUR BUSINESS MODEL

In 2003 we commenced providing property management services to Jiaoda Jiayuan (交大嘉園) and Caihong Yuan (彩虹園) located in Beijing, the first two property management projects under our management. We provide a wide range of property management services and value-added services to property owners, residents and property developers in relation to our property management projects. The following three main segments of our business form an integrated service spectrum covering the industry value chain of property management.

- *Property management services.* We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. Our property management portfolio also covers other types of properties such as commercial properties.
- *Community-related services.* We provide home-living services such as property repair and maintenance services, collection of electricity tariffs, purchase assistance, accommodation and catering services, as well as community events and management services, to property owners and residents. We also sub-contract and lease out common areas such as swimming pools, car-parking spaces and advertising spaces to generate stable revenue stream.
- *Property developer-related services.* We offer sales assistance services as well as consulting services to property developers and property management companies to address their various needs on property management. For example, we provide display unit management services, market planning services and visitor reception services to property developers during the sales and marketing phase of property management projects in order to facilitate the sale of development projects. In addition, we may provide additional consultation services on matters ranging from human resources, technical support and management systems to various customers.

We price our property management services based on a number of factors, including (i) types and locations of the properties, (ii) scope and quality of the services proposed, (iii) our budgeted expenses, (iv) our target profit margins, (v) profiles of the property owners and residents, (vi) the local government's guidance prices on property management fees (where applicable), and (vii) the pricing of comparable properties. In addition, we consider the potential cost savings we can realise via smart management and other equipment upgrades, which allow us to lower our proposed property management fees to customers. Please refer to the section headed "Business – Our Property Management Services – Property Management Fees" in this prospectus for further details.

OUR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents which are the customers of our property management and community-related services, and (ii) property developers, property management companies and other companies which are the customers of our property management services and property developer-related services. Our single largest customer during the Track Record Period was

SUMMARY

Hevol Real Estate Group to which we provide property management services and property developer-related services. Hevol Real Estate Group is also one of our suppliers for the leasing of a clubhouse and a boiler house. For the years ended 31 December 2016, 2017 and 2018, we had paid Hevol Real Estate Group rental expenses amounted to RMB1.2 million, RMB0.6 million and RMB0.6 million, respectively, for leasing the clubhouse and the boiler house from Hevol Real Estate Group. We have established on-going business relationships with our top five customers for the Track Record Period ranging from 1 year to 15 years. Please refer to the section headed “Business – Our Customers” in this prospectus for further details.

During the Track Record Period, most of our top five suppliers were sub-contractors for our property management services business. To utilise our own workforce more efficiently, we delegate certain services to sub-contractors, including (i) labour-intensive services such as cleaning and security, and (ii) specialised services such as greening services, repair and maintenance of common facilities. To ensure that the sub-contractors meet our requirements and standards of services, we implement policy, guidelines and measures to select, monitor and evaluate their performance from time to time. We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. We have maintained business relationship with our five largest suppliers for the Track Record Period ranging from 3 to 15 years. Please refer to the section headed “Business – Our Suppliers” in this prospectus for further details.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths position us well in the property management industry in the PRC and differentiate us from our competitors: (i) we are a reputable market player in the property management industry in China with a consistently improving market position, (ii) we have successfully developed our property management portfolio and replicated our business model in target cities with our strong capabilities in property management services, (iii) we have offered comprehensive community-related services and property developer-related services which enable us to diversify our service offerings and improve customer loyalty to our business, (iv) we can consistently provide high quality services and generate sustainable profits by implementing standardisation and smart management in our service process, and (v) we have experienced professional management team and effective human resources. Please refer to the section headed “Business – Competitive Strengths” in this prospectus for further details.

OUR BUSINESS STRATEGIES

We strive to become one of the leading property management service providers in the PRC. By providing quality property services to property owners and residents of our property management projects, we are committed to achieving the development of our employees and our Group, in line with the progress in our society. We plan to achieve our objectives by implementing the following strategies: (i) further expand the scale of our property management business and increase our operational efficiency, (ii) continue to provide comprehensive services to customers, enhance their experience and create additional value to our business, (iii) continue to grow our business through mergers and acquisitions, (iv) further enhance the levels of standardisation and smart management in our service, and (v) continue to incentivise, retain and recruit talents in order to better our human resources management. Please refer to the section headed “Business – Business Strategies” in this prospectus for further details.

COMPETITIVE LANDSCAPE AND MARKET SHARE

The property management industry is fragmented and competitive in the PRC with approximately 118,000 property management companies operating in the industry in 2017, according to CIA. Major property management companies in China have experienced a steady improvement in profitability due to increase in the GFA under management and effective cost control measures. According to the CIA, the market share of the Top 100 Property Management Companies was approximately 38.9% in terms of GFA under management in 2018, and our market share was approximately 0.03% in 2019 and we were ranked the 44th on the list of the Top 100 Property Management Companies. Please refer to the section headed “Industry Overview – Competition – Competitive Landscape” in this prospectus for further details.

SHAREHOLDER INFORMATION

Our Controlling Shareholder

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options that may

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be granted under the Share Option Scheme), our non-executive Director and chairman Mr. Liu will be entitled to exercise approximately 71.61% of the voting rights at general meetings of our Company through Brilliant Brother. As such, each of Mr. Liu and Brilliant Brother is regarded as a Controlling Shareholder. Please refer to the sections headed “Relationship with our Controlling Shareholders” and “History, Reorganisation and Corporate Structure” in this prospectus for further details.

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business which would require disclosure under Rule 8.10 of the Listing Rules. Please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus for further details.

Pre-IPO Investment

On 4 September 2018, the Pre-IPO Investor, Mr. He Jun (何軍), acquired 4,734 Shares through his wholly-owned companies, representing (i) 4.52% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue; and (ii) 3.39% of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), were allotted and issued to the Pre-IPO Investor at an aggregate consideration of RMB2.6 million.

Mr. He is a Singapore citizen. He is currently a partner and the head of China practice at Wong Partnership, a Singapore law firm. He has more than 20-years legal experience in corporate finance and mergers and acquisitions. Mr. He is a personal friend of Mr. Liu and they became acquainted with each other through introduction by a mutual friend in 2013. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure – Pre-IPO Investment” in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our consolidated statements of profit or loss and comprehensive income, the details of which are set forth in Appendix I, and these should be read in conjunction with the financial statements in Appendix I, including the related notes.

Key Information in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December					
	2016		2017		2018	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Revenue	169,027	100.0	196,027	100.0	224,450	100.0
Cost of sales	(118,550)	(70.1)	(129,906)	(66.3)	(143,958)	(64.1)
Gross profit	50,477	29.9	66,121	33.7	80,492	35.9
Profit for the year	18,734	11.1	21,870	11.2	16,886	7.5

Revenue

The following table sets forth the breakdown of our revenue generated from the main business segments during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	Revenue (RMB'000)	% of total revenue (%)	Revenue (RMB'000)	% of total revenue (%)	Revenue (RMB'000)	% of total revenue (%)
Property management services ⁽¹⁾	115,927	68.6	136,340	69.6	155,327	69.2
Community-related services ⁽²⁾	40,903	24.2	51,438	26.2	55,252	24.6

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	Year ended 31 December					
	2016		2017		2018	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property developer-related services ⁽³⁾	12,197	7.2	8,249	4.2	13,871	6.2
Total	169,027	100.0	196,027	100.0	224,450	100.0

Notes:

- (1) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from property management services in relation to properties developed by Hevol Real Estate Group was RMB112.8 million, RMB131.4 million and RMB148.9 million, representing 97.3%, 96.3%, and 95.9% of our revenue generated from property management service, respectively. For the same periods, our revenue generated from property management services in relation to properties developed by independent property developers was RMB3.1 million, RMB5.0 million and RMB6.4 million, representing 2.7%, 3.7%, and 4.1% of our revenue generated from property management services, respectively.
- (2) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from community-related services in relation to properties developed by Hevol Real Estate Group was RMB40.9 million, RMB51.3 million and RMB55.0 million, representing 99.9%, 99.7%, and 99.4% of our revenue generated from community-related services, respectively. For the same periods, our revenue generated from community-related services in relation to properties developed by independent property developers was approximately RMB50.3 thousand, RMB0.2 million and RMB0.3 million, representing 0.1%, 0.3%, and 0.6% of our revenue generated from community-related services, respectively.
- (3) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from property developer-related services in relation to properties developed by Hevol Real Estate Group was RMB12.2 million, RMB8.2 million and RMB13.9 million, representing 100.0%, 100.0% and 100.0% of our revenue generated from developer-related services, respectively. All of our sales assistance service agreements during the Track Record Period were related to properties developed by Hevol Real Estate Group.

The table below sets out our (i) contracted GFA, (ii) revenue-bearing GFA, and (iii) number of property management projects managed with revenue-bearing GFA, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Contracted GFA ⁽¹⁾	6,812	7,204	8,160
Revenue-bearing GFA	5,440	5,908	6,347
Number of property management projects managed with revenue-bearing GFA ⁽⁴⁾	30	30 ⁽²⁾	34 ⁽³⁾

Notes:

- (1) Means the total GFA managed/to be managed by our Group, including, among others, revenue bearing GFA which is the total GFA under our Group's management and we receive property management fees from customers.
- (2) During the year ended 31 December 2017, while we obtained one new property management project, one existing property management project had been terminated. The terminated property management project was related to a military establishment. As there was change of policy in 2017 which prohibited private management companies to provide property management service to military establishments, the property management service agreement was terminated.
- (3) During the year ended 31 December 2018, our Group was engaged to manage four new property management projects. For further details, please refer to the section headed "Business – Our Property Management Services – Growth of our property management services portfolio" in this prospectus. In addition, among all of our property management projects which provided revenue-bearing GFA, we managed four, three and six properties developed by Independent Third Parties as at 31 December 2016, 2017 and 2018, respectively.
- (4) Our property management projects may be divided into multiple development phases and completed by phases. Our contracted GFA and revenue bearing GFA increased although the number of property management projects following the completion of different development phases remained relatively stable during the Track Record Period.

Revenue from property management services increased during the Track Record Period, primarily driven by the increase in the total revenue-bearing GFA as a result of our business

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expansion, which is mainly due to an increasing number of our property management projects during such period. Such increase in our property management projects during the Track Record Period was mainly because (i) we provided property management services for the new phases of our existing property management projects; and (ii) we secured new property management projects, during such period. In addition, the average charging rate of our property management services increased, as we charged the higher rates for newly property management projects, which also contributed to the increased revenue from property management services during the Track Record Period.

For property management projects developed by Hevol Real Estate Group, the average property management fee per revenue-bearing GFA charged by our Group for those projects at property owners' associations stage was RMB13.9 per sq.m., RMB14.5 per sq.m. and RMB17.7 per sq.m., respectively, for the years ended 31 December 2016, 2017 and 2018, in contrast to RMB23.1 per sq.m., RMB24.6 per sq.m. and RMB26.2 per sq.m. for property management projects at the preliminary stage for the same periods.

For property management projects developed by Independent Third Party developers, average property management fee per revenue-bearing GFA charged by our Group for those projects at property owners' association stage was RMB11.6 sq.m., RMB12.8 sq.m. and RMB10.5 sq.m., respectively, for the years ended 31 December 2016, 2017 and 2018, in contrast to RMB7.9 sq.m., RMB18.6 sq.m. and RMB19.0 sq.m., respectively, charged for those projects at the preliminary stage during the same periods.

We provide community-related services to property owners and residents of our property management projects, which include (i) home living services, (ii) leasing of car parking spaces, and (iii) leasing of common facilities. Revenue derived from our home living services increased during the Track Record Period, primarily due to (i) an increasing number of our property management projects; and (ii) an increase in revenue from our electricity tariff collection services on behalf of certain property owners in more property management projects. Revenue from leasing of car parking space increased during the Track Record Period due to the increasing number of leased car-parking spaces. Moreover, revenue from property developer-related services experienced fluctuations during the Track Record Period, which was directly related to the property development cycle and relevant selling schedules of projects under development for contracted property developers.

Our Group generated revenue from leasing of car-parking space of RMB15.3 million, RMB19.5 million and RMB21.1 million for the years ended 31 December 2016, 2017 and 2018 respectively (including our Investment Properties and other car-parking spaces and ancillary areas). For the details on the arrangement in respect of the leasing of car-parking spaces, please refer to the sections headed "Business – Community-Related Services – Leasing of Car-parking Space" and "Business – Community-Related Services – Leasing of Common Facilities" in this prospectus.

Revenue from property management services by type of properties

The table below sets out the breakdown of (i) our revenue generated from property management services by type of property; and (ii) revenue-bearing GFA for the periods or as at the dates indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Residential properties	106,366	91.8	5,147	94.6	124,997	91.7	5,568	94.2	141,816	91.3	6,014	94.8
Non-residential properties	9,561	8.2	293	5.4	11,343	8.3	340	5.8	13,511	8.7	333	5.2
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

During the Track Record Period, substantially all of our revenue from property management services was derived from residential properties and the remainder was derived from non-residential properties. The proportion of property management service revenue derived from residential properties versus that derived from non-residential properties remained stable during the Track Record Period.

SUMMARY

Revenue from property management services by revenue model

The table below sets out the breakdowns of (i) our revenue from property management services, and (ii) revenue-bearing GFA by revenue model for the periods or as at the dates indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Lump sum basis	115,814	99.9	5,321	97.8	136,093	99.8	5,789	98.0	154,807	99.7	6,228	98.1
Commission basis	113	0.1	119	2.2	247	0.2	119	2.0	520	0.3	119	1.9
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

During the Track Record Period, we charged property management fees primarily on a lump sum basis, whereas only a limited amount of revenue from property management services charged on a commission basis. The proportion of property management service revenue based on fees charged on a lump sum basis versus that based on fees charged on a commission basis remained stable during the Track Record Period.

Expiration schedule for preliminary property management service agreements and property management service agreements

The table below sets out the expiration schedule of our preliminary property management service agreements and property management service agreements as at 31 December 2018:

	Contracted GFA		Number of agreements ⁽³⁾	
	('000 sq.m.)	(%)	(%)	(%)
Property management service agreements without fixed term⁽¹⁾	6,242	76.5	29	69.0
Property management service agreements under which we provided services beyond expiration⁽²⁾	653	8.0	2	4.8
Property management service agreements with fixed terms expiring in				
Year ending 31 December 2019	561	6.9	4	9.5
Year ending 31 December 2020 and beyond	704	8.6	7	16.7
Subtotal	1,265	15.5	11	26.2
Total	8,160	100.0	42	100.0

Notes:

- (1) Property management service agreements without fixed term refer to preliminary property management service agreements which will be superseded by property management service agreements after the property owners' associations are established.
- (2) We continued to provide services under these property management service agreements despite their expired contract terms as at 31 December 2018, mainly because the property owners' general meetings in respect of such properties were yet to be convened to renew our property management service agreements or yet to select a replacement property management service provider. As advised by our PRC Legal Advisers, pursuant to the PRC laws, the contract which is to be or agreed to be concluded in writing, shall be deemed as concluded if one party has performed the majority of obligations under the

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contract and the counterparty has accepted such performance, even though such contract has not been reduced in writing. As at the Latest Practicable Date, we are still providing services and the counterparties have paid the service fees accordingly pursuant to these property management service agreements. As advised by our PRC Legal Advisers, the property management service agreements are still enforceable and we are entitled to receive the property management fees for the continued services we provide for such property management service agreements beyond contract expiration.

- (3) Although our Group had 34 property management projects as at 31 December 2018, there were multiple property management service agreements signed in respect of some of these projects. Our Group had signed a total of 42 property management service agreements as at 31 December 2018, 38 of which were signed in respect of 34 property management projects with revenue-bearing GFA, and 4 of which were signed in respect of relevant property management projects which were yet to commence generate revenue.

For the years ended 31 December 2016, 2017 and 2018, our renewal rate with respect to property management service agreements, calculated as the number of renewed property management service agreements in a given year divided by the number of expiring property management service agreements in the same year, was 100.0%, 97.0% and 100.0%, respectively. For further details, please refer to the section headed “Business – Our Property Management Services – Property management service agreements – Expiration schedule for preliminary property management service agreements and property management service agreements” in this prospectus.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Property management services	27,787	24.0	36,723	26.9	48,388	31.2
Community-related services	20,756	50.7	28,099	54.6	29,936	54.2
Property developer-related services	1,934	15.9	1,299	15.7	2,168	15.6
Total	50,477	29.9	66,121	33.7	80,492	35.9

Gross profit and gross profit margin of our property management services increased during the Track Record Period, primarily because (i) the average charging rate of our property management services increased during such period; and (ii) we are able to take advantage of our economies of scale operations for cost saving and operational efficiency, as we have increased the number of our property management projects through business expansion. Moreover, gross profit and gross profit margin of our community-related services increased during the Track Record Period, primarily attributable to an increasing number of leasing car-parking spaces with relatively higher gross profit margin as we managed more properties from the new phases of our existing property management projects. In addition, gross profit from our property developer-related services fluctuated during the Track Record Period in accordance with the property development cycle and relevant selling phases of projects under development for contracted property developers. For further details of the discussion and analysis of our revenue during the Track Record Period, please refer to the section headed “Financial Information – Results of Operations” in this prospectus.

Key Information in Our Consolidated Statements of Financial Position

	As at 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Non-current assets	49,428	38,988	40,657
Current assets	150,695	194,385	219,557
Current liabilities	137,399	148,779	175,508
Net current assets	13,296	45,606	44,049

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	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets less current liabilities	62,724	84,594	84,706
Non-current liabilities	–	–	4,600
Net assets	62,724	84,594	80,106

Our net assets decreased to RMB80.1 million as at 31 December 2018 compared to RMB84.6 million as at 31 December 2017. The decrease in net assets during the year ended 31 December 2018 was attributable to our declaration of dividend of approximately RMB21.6 million, whereas our net profit amounted to approximately RMB16.9 million for the year ended 31 December 2018.

Our net current assets decreased to RMB44.0 million as at 31 December 2018 compared to RMB45.6 million as at 31 December 2017, primarily attributable to (i) an increase in trade and other payables of RMB9.1 million as we outsourced more sub-contracting services and purchased more materials for our expanded business scale; (ii) an increase in contract liabilities of RMB14.2 million as a result of an increasing number of property management projects in 2018 as compared to 2017; and (iii) an increase in income tax liabilities of RMB3.4 million, which were partially offset by (i) an increase in bank balances and cash of RMB21.1 million; and (ii) an increase in trade and other receivables of RMB4.0 million as we provided services to an increasing number of property management projects from 2017 to 2018. Our net current assets increased from RMB13.3 million as at 31 December 2016 to RMB45.6 million as at 31 December 2017. The increase in the amount of RMB32.3 million was primarily attributable to (i) an increase in bank balances and cash of RMB37.0 million as we generated more cash from business operations and disposed of certain investment properties, and (ii) an increase in trade and other receivables of RMB6.7 million, which were partially offset by an increase in contract liabilities of approximately RMB9.9 million as a result of our business expansion. Please refer to the section headed “Financial Information – Net Current Assets” in this prospectus for further details.

Key Information in Our Consolidated Statements of Cash Flows

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net cash from operating activities	13,703	28,938	43,076
Net cash from/(used in) investing activities	4,615	8,264	(1,943)
Net cash from/(used in) financing activities	9	(190)	(20,013)
Net increase in cash and cash equivalents	18,327	37,012	21,120
Cash and cash equivalents at beginning of the year	57,958	76,285	113,297
Cash and cash equivalents at end of the year	76,285	113,297	134,417

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services. The fluctuations in cash flows from operating activities were mainly attributable to (i) an increase in profit before tax which was in line with our revenue growth, and (ii) increases in trade and other receivables, trade and other payables and contract liabilities as a result of our business expansion. Our Group recorded net cash generated from investing activities of RMB4.6 million and RMB8.3 million for the year ended 31 December 2016 and 2017, respectively. Such fluctuation was mainly due to proceeds from disposal of investment properties; partially offset by the advance to Hevol Real Estate Group. Our Group recorded net cash used in investing activities of RMB1.9 million for the year ended 31 December 2018 mainly due to the lack of disposal of investment properties during the year, as compared to RMB9.8 million of proceeds we collected from the disposal of investment properties in 2017. Our net cash used in financing activities amounted to RMB20.0 million for the year ended 31 December 2018 mainly due to the declaration of dividend of RMB21.6 million to the then shareholders of Beijing Hongsheng in July 2018. Please refer to the section headed “Financial Information – Liquidity and Capital Resources” in this prospectus for further details.

SUMMARY

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not register or fully contribute to social insurance and housing provident funds for some of our employees. Although we are not aware of any complaints or demands for payment of these contributions from employees, our PRC Legal Advisers have advised that the relevant PRC authorities may notify us that we are required to complete registration and/or pay the outstanding contributions within a stipulated deadline and/or pay the late payment fee of total outstanding social insurance contribution. For the outstanding social insurance contributions that accumulated during and after the Track Record Period, the late payment fee equals to 0.05% of the outstanding amount calculated daily starting from the date the relevant insurance funds became payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of one to three times the outstanding contribution. Our PRC Legal Advisers have also advised that, under the relevant PRC law and regulations, we may be ordered to pay the outstanding housing provident fund within a prescribed time period, and if we fail to make such payments, application may be made to a PRC court for compulsory enforcement.

In addition, we failed to make timely disclosure in relation to certain non-recurring related party transactions with Hevol Real Estate Group during the financial year of 2016. As advised by our PRC Legal Adviser, the maximum potential penalties/fines for failure to make timely disclosure in relation to such non-recurring related party transactions could amount to not less than RMB300,000 but not more than RMB600,000.

In respect of social insurance and housing provident fund contributions, our PRC Legal Advisers are of the view that the risk of us being penalised for our aforementioned failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees is remote. Our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the Listing.

In respect of failure to make timely disclosure in relation to certain non-recurring related party transactions, our Directors are of the view, and our PRC Legal Advisers further confirm, given that (i) we have not been subject to any penalty or punishment by relevant regulatory bodies apart from the warning letters, (ii) there were no other public shareholders other than our Controlling Shareholders at the relevant time of NEEQ listing, and (iii) we have already delisted from NEEQ, that we will not be subject to any further legal consequences as a result of the aforesaid non-compliance.

For further disclosure, please refer to the section headed “Business – Historical Non-Compliance Incidents” in this prospectus.

KEY FINANCIAL RATIOS

The following table sets out our current ratios, quick ratio, return on equity and return on total assets as at the dates or for the periods indicated below:

	As at/Year ended 31 December		
	2016	2017	2018
Current ratio	1.10	1.31	1.25
Quick ratio	1.10	1.31	1.25
Return on equity (%)	35.1	29.7	20.5
Return on total assets (%)	10.5	10.1	6.8

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.
- (3) Return on equity is calculated by dividing net profit for the year by the arithmetic mean of the opening and closing balances of total equity in the relevant period and multiplied by 100%.
- (4) Return on total assets is calculated by dividing net profit for the year by the arithmetic mean of the opening and closing balances of total assets in the relevant period and multiplied by 100%.

Please refer to the section headed “Financial Information” in this prospectus for descriptions of the calculations of the above ratios.

LISTING EXPENSES

For the years ended 31 December 2016 and 2017, we did not incur any listing expenses. For the year ended 31 December 2018, we incurred listing expenses of RMB11.7 million

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(equivalent to HK\$13.3 million). We expect to incur total listing expenses of RMB45.1 million (equivalent to HK\$51.2 million, assuming an Offer Price of HK\$1.42 per Share, being the mid-point of the indicative Offer Price range), of which our Group (i) has recognised RMB11.7 million (equivalent to HK\$13.3 million) in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018; and (ii) expects to further incur listing expenses of RMB33.4 million (equivalent to HK\$38.0 million) upon completion of the Listing, of which an estimated amount of RMB16.7 million (equivalent to HK\$19.0 million) will be recognised as deduction from equity and RMB16.7 million (equivalent to HK\$19.0 million) will be charged to our consolidated statement of profit and loss and other comprehensive income upon completion of the Listing. Our Group's financial performance and results of operations for the year ended 31 December 2018 have been, and those for the year ending 31 December 2019 will be, significantly and adversely affected by the one-off listing expenses as mentioned in the foregoing.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We have continued to expand our project portfolio subsequent to the Track Record Period and our revenue-bearing GFA reached 6.4 million sq.m. as at 31 March 2019. We have secured 22 sales assistance service agreements that were granted by entities related to Hevol Real Estate Group, and we will continue to utilise our strong and long-standing relationship with Hevol Real Estate Group for our future growth.

Based on the unaudited management accounts of our Group, revenue of our Group increased for the two months ended 28 February 2019 as that of compared to the corresponding period in 2018. Such increase mainly due to the increasing number of property management projects in 2019 as compared with that of 2018. Administrative expenses increased for the two months ended 28 February 2019 as compared to the corresponding period in 2018 mainly due to an increase in staff costs as the number of our administration staff headcount increased coupled with the increasing level of average salaries of our staff. Furthermore, in February 2019, our Company declared and approved a dividend amounting to RMB25.4 million to our Shareholders based on our Group's distributable profits as at 31 December 2018.

As disclosed in the paragraph headed “– Listing Expenses” in this section, our net profit for the year ending 31 December 2019 is expected to be affected by the estimated expenses in relation to the Listing. Our Directors have confirmed that save as disclosed in the subsections abovementioned, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2018, the end of the period reported in the Accountants' Report as set out in Appendix I to this prospectus, and there has been no event since 31 December 2018 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

GLOBAL OFFERING STATISTICS

The Global Offering comprises the following: (i) the Hong Kong Public Offering of initially 10,000,000 Shares in Hong Kong; and (ii) the International Offering of initially 90,000,000 Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus. The following table sets out certain offering related data, assuming that the Global Offering has been completed:

	Based on the Offer Price of HK\$1.28 per Offer Share	Based on the Offer Price of HK\$1.56 per Offer Share
Market capitalisation ⁽¹⁾	HK\$512 million	HK\$624 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company per Share ⁽²⁾⁽³⁾	RMB0.40 (equivalent to HK\$0.45)	RMB0.46 (equivalent to HK\$0.52)

Please refer to Appendix II to this prospectus for further details.

Notes:

- (1) The calculation of our market capitalisation is based on 400,000,000 Shares which will be in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon any exercise of any option which may be granted under the Share Option Scheme).
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2018 per Share is calculated based on 400,000,000 Shares assuming in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon any exercise of any option which may be granted under the Share Option Scheme).

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- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2018. In particular, the unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of our Company has not taken into account the declaration of a dividend of RMB25.4 million which was approved by our Board on 14 February 2019. The unaudited pro forma adjusted net tangible assets per share would have been RMB0.33 (equivalent to approximately HK\$0.38) and RMB0.39 (equivalent to approximately HK\$0.45) per Share based on the Offer Price of HK\$1.28 and HK\$1.56 per Share, respectively, if the effect of such dividend had been accounted for.

FUTURE PLANS AND USE OF PROCEEDS

We estimate we will receive HK\$90.8 million net proceeds from the Global Offering after deducting underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering, assuming an Offer Price of HK\$1.42 per Share, being the mid-point of the indicative Offer Price range. We intend to use the net proceeds we receive from the Global Offering for the following purposes:

Approximate percentage and amount of proceeds	Intended usages
<i>(HK\$)</i>	
51.8%, or HK\$47.0 million	Expanding mainly by mergers and acquisitions of other property management companies
7.7%, or HK\$7.0 million	Obtaining new market opportunities through bidding for new property management projects
23.1%, or HK\$21.0 million	Upgrading our information technology and smart management systems
14.4%, or HK\$13.1 million	Expanding our value-added services business segment and enhancing our comprehensive services through expanding and upgrading our home-living services, establishing home service centres, providing vacation-home management services and expanding community-related services including child care, unmanned supermarkets and community group buying services
3.0%, or HK\$2.7 million	Funding working capital

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

DIVIDENDS AND DISTRIBUTABLE RESERVE

In July 2018, a dividend amounting to RMB21.6 million has been proposed, approved and paid by companies now comprising our Group to the then shareholders of Beijing Hongsheng. In February 2019, our Company declared and approved a dividend amounting to RMB25.4 million based on our Group’s distributable profits as at 31 December 2018 to our Shareholders, and such dividend will be paid to our Shareholders before the Listing. Please refer to note 9 to the Accountants’ Report set out in Appendix I to this prospectus for further details. Save as aforementioned, our Group did not pay or declare any dividend during the Track Record Period and up to the Latest Practicable Date. Our Group currently does not have a fixed dividend policy, and does not have a pre-determined dividend payout ratio. Our Company was incorporated in the Cayman Islands on 28 May 2018. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The declaration and payment of dividends and the amount of dividends in the future will be at the recommendation of our Directors at their discretion and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant.

RISK FACTORS

There are risks associated with your investment in the Offer Shares, among which, the relatively material risks are (i) our future growth may not materialise as planned, and failure to manage future growth effectively may adversely affect our business, financial position and results of operations; (ii) future acquisitions could expose us to risks that may have a material adverse effect on our business, financial condition and results of operations; (iii) our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, employment benefit expenses and sub-contracting costs; (iv) termination or non-renewal of our property management services for a significant number of properties could adversely affect our business, financial position and results of operations; and (v) we cannot guarantee that we can procure new property management service agreements. You should read the entire section headed “Risk Factors” in this prospectus carefully before you decide to invest in the Offer Shares.

DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 14 June 2019 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Hevol”	Beijing Hevol Property Services Company Limited (北京和泓物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 9 April 2002, formerly known as Beijing Donghe Tianyuan Property Management Company Limited (北京東和田園物業管理有限責任公司), and a wholly-owned subsidiary of our Company
“Beijing Hongsheng”	Beijing Hongsheng Investment Limited (北京泓升投資有限責任公司), a company established as a limited liability company under the laws of the PRC on 13 January 2006, formerly known as Beijing Rongxiang Aviation Investment Limited (北京戎翔航業投資有限公司) and Beijing Hongsheng Investment Company Limited (北京泓升投資股份有限公司), and a wholly-owned subsidiary of our Company
“Board”	the board of Directors of the Company
“Brilliant Brother”	Brilliant Brother Group Limited, a company incorporated in the BVI with limited liability on 23 May 2018, the entire issued share capital of which is held by Mr. Liu, a Controlling Shareholder

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“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 299,895,266 new Shares to be made upon capitalisation of certain amounts outstanding to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information – A. Further information about our Company – 5. Resolutions of the Shareholders of the Company Passed on 14 June 2019” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or 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, which may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chengdu Hevol”	Chengdu Hevol Real Estate Development Co., Ltd. (成都和泓房地產開發有限公司), a company established as a limited liability company under the laws of the PRC on 29 May 2012, and a company controlled by the Controlling Shareholders

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“Cherish Eagle”	Cherish Eagle Investment Limited, a company incorporated in the BVI with limited liability on 8 February 2018, of which the entire issued share capital is held by Mr. He Jun, a Pre-IPO Investor
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“China Index Academy” or “CIA”	China Index Academy (中國指數研究院)
“Chongqing Hevol”	Chongqing Hevol Property Services Company Limited (重慶和泓物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 22 June 2007, formerly known as Chongqing Qishan Property Management Limited (重慶祺山物業管理有限公司), and a wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company”, “the Company” or “our Company”	Hevol Services Group Co. Limited (和泓服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 May 2018, and references to “we”, “us” or “our” refer to our Group or, where the context requires, our Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

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“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Liu and Brilliant Brother (for further details, please refer to the section headed “Relationship with Our Controlling Shareholders – Our Controlling Shareholders” of this prospectus); and “Controlling Shareholder” means any one of them
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
“Deed of Indemnity”	the deed of indemnity dated 17 February 2019 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries)
“Deed of Non-competition”	the deed of non-competition dated 14 June 2019 and executed by our Controlling Shareholders in favour of our Company, as described more particularly in the section headed “Relationship with Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“Donghe Weiye”	Beijing Donghe Weiye Real Estate Development Limited (北京東和偉業房地產開發有限公司), a company established as a limited liability company under the laws of the PRC on 26 March 2003 and a wholly-owned subsidiary of Hevol Real Estate
“EIT”	enterprise income tax in the PRC
“EIT Law”	the PRC Enterprise Income Tax Law
“Fufa Property”	Beijing Fufa Property Development Company Limited (北京福發房地產開發有限公司), a company established as a limited liability company under the laws of the PRC on 9 January 2004 and a wholly-owned subsidiary of Hevol Real Estate

DEFINITIONS

“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“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, designated by our Company
“Group”, “our Group”, “our”, “we”, or “us”	our Company and all of our subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Guiyang Hevol”	Guiyang Hevol Property Services Company Limited (貴陽和泓物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 9 November 2006, and a wholly-owned subsidiary of our Company
“Guizhou WFOE”	Guizhou Furuiying Information Consultancy Limited (貴州福瑞盈信息諮詢有限公司), a company established as a limited liability company under the laws of the PRC on 13 September 2018 and a wholly-owned subsidiary of our Company
“Hainan Hevol”	Hainan Hevol Hotel Property Services Company Limited (海南和泓酒店物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 18 January 2012, and a wholly-owned subsidiary of our Company
“Hevol Abundance”	Guizhou Hevol Abundance Property Management Limited (貴州和泓豐盈物業管理有限公司), a company established as a limited liability company under the laws of the PRC on 19 July 2018 and a wholly-owned subsidiary of our Company

DEFINITIONS

“Hevol Group”	Hevol Group Limited, a company incorporated in Hong Kong with limited liability on 7 June 2018 and a wholly-owned subsidiary of our Company
“Hevol Investment”	Hevol Holding Group Limited (和泓控股集團有限公司), a company established as a limited liability company under the laws of the PRC on 14 March 2001, which is owned by Mr. Liu as to 80% and Ms. Hu as to 20% and a connected person of our Group
“Hevol Real Estate”	Hevol Real Estate Group Limited (和泓置地集團有限公司), a company established as a limited liability company under the laws of the PRC on 28 March 2001, formerly known as Beijing Donghe Jiaye Real Estate Development Limited (北京東和嘉業房地產開發有限公司) until 21 July 2007 and Beijing Hevol Real Estate Company Limited (北京和泓置地有限公司) until 17 October 2011, which is owned by Hevol Investment as to 80% and Shanghai Hengjiu as to 20%, a company ultimately controlled by Mr. Liu and our connected person
“Hevol Real Estate Group”	Hevol Investment, Hevol Real Estate and the subsidiaries of Hevol Real Estate, companies ultimately controlled by Mr. Liu and our connected person
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of the HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 10,000,000 Offer Shares initially being offered by us for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in detail in the section headed “Structure and Conditions of the Global Offering” of this prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering”) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in section headed “Structure and Conditions of the Global Offering – The Hong Kong Public Offering” of this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 26 June 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters
“Hunan Hehua”	Hunan Hehua Property Services Company Limited (湖南和華物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 26 November 2012, and a wholly-owned subsidiary of our Company
“IFRS”	International Financial Reporting Standards
“Independent Third Party” or “Independent Third Parties”	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 independent of our Company and our connected persons
“International Offer Shares”	the 90,000,000 Offer Shares initially being offered by us for subscription under the International Offering subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” of this prospectus

DEFINITIONS

“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act
“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters
“Joint Bookrunners”	Southwest Securities (HK) Brokerage Limited, CLC Securities Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities), ABCI Capital Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities), Ping An Securities Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities) and AMC Wanhai Securities Limited (a licenced corporation under the SFO to carry type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)
“Joint Global Coordinators”	Southwest Securities (HK) Brokerage Limited, CLC Securities Limited, each a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

DEFINITIONS

“Joint Lead Managers”	Southwest Securities (HK) Brokerage Limited, CLC Securities Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities), ABCI Securities Company Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities), Ping An Securities Limited (a licenced corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities) and AMC Wanhai Securities Limited (a licenced corporation under the SFO to carry type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)
“Latest Practicable Date”	17 June 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 12 July 2019, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, conditionally adopted on 14 June 2019 and will come into effect upon Listing (as amended from time to time), a summary of which is set out in Appendix IV to this prospectus
“Mr. Liu”	Mr. Liu Jiang (劉江), a Controlling Shareholder and a non-executive Director
“Ms. Hu”	Ms. Hu Hongfang (胡洪芳) and an executive Director

DEFINITIONS

“Ms. Liu”	Ms. Liu Yu (劉玉), an employee of Hevol Real Estate Group
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange And Quotations Co., Ltd., a Chinese over-the-counter system for trading the shares of a public limited company
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in “Structure and Conditions of the Global Offering – Pricing and Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Han Kun Law Offices, legal advisers to our Company as to PRC Law
“Pre-IPO Investor”	Mr. He Jun (何軍), our pre-IPO investor
“Price Determination Date”	the date, expected to be on or about 3 July 2019, on which the final Offer Price is to be determined for the purpose of the Global Offering
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Reformation Group”	Reformation Group Limited, a company incorporated in the BVI with limited liability on 23 May 2018, of which the entire issued share capital is held by Ms. Hu

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“RIME Venture”	Rime Venture Limited, a company incorporated in the BVI with limited liability on 28 March 2018, and a wholly-owned subsidiary of our Company
“RIME Venture (HK)”	Rime Venture (HK) Limited, a company incorporated in Hong Kong on 23 May 2018, and a wholly-owned subsidiary of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai Hengjiu”	Shanghai Hengjiu Investment Limited (上海恒久投資有限公司), a company established as a limited liability company under the laws of the PRC on 14 June 2005, which is owned by Ms. Hu as to 60% and Ms. Liu as to 40%
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the share capital of our Company

DEFINITIONS

“Share Option Scheme”	the share option scheme approved and adopted by our Company on 14 June 2019, for the benefit of any director, employee, adviser or consultant of our Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed “Appendix V – Statutory and General Information – D. Share Option Scheme” of this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shenyang Hevol”	Shenyang Hevol Property Services Company Limited (瀋陽和泓物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 16 August 2010, and a wholly-owned subsidiary of our Company
“Sole Sponsor”	Southwest Securities (HK) Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sugar Hundred”	Sugar Hundred Limited, a company incorporated in the BVI with limited liability on 23 May 2018, of which the entire issued share capital is held by Ms. Liu
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Tangshan Hevol”	Tangshan Hevol Property Services Company Limited (唐山和泓物業服務有限公司), a company established as a limited liability company under the laws of the PRC on 11 January 2011, and a wholly-owned subsidiary of our Company

DEFINITIONS

“Tianjin Hevol”	Tianjin Hevol Property Management Services Company Limited (天津和泓物業管理服務有限公司), a company established as a limited liability company under the laws of the PRC on 30 April 2008, and a wholly-owned subsidiary of our Company
“Track Record Period”	the years ended 31 December 2016, 2017 and 2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ 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 at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS

The English names of PRC laws, regulations, governmental authorities, institutions, of companies or entities established in the PRC and of Chinese individuals included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“average property management fee”	weighted average property management fee of residential properties calculated on the basis of GFA of each residential property under our management;
“CAGR”	compound annual growth rate;
“cloud computing”	an Internet computing method that can provide shared computer processing resources and data on demand to computers and other devices;
“commercial properties”	buildings intended to generate a profit, either from capital gain or rental income, for residential or commercial use;
“commission basis”	a revenue generating model for our property management business segment whereby our fee income from property management consists only a specified percentage of the total management fees payable by the property owners or property developers while the remainder of such management fees would be used to procure services to the property from other service providers;
“common area” or “communal area”	common areas in properties, including parking lots, advertisement bulletin, lobbies and clubhouses;
“contracted GFA”	GFA managed/to be managed by the Company under operating property management service agreements, which includes both GFA under management and GFA yet to be managed by the Company;
“GFA”	gross floor area;
“ISO”	The International Organisation of Standardisation, world-wide federation of rational standard system;
“IT”	information technology;

GLOSSARY OF TECHNICAL TERMS

“lump sum basis”	a revenue generating model for our property management business segment whereby we charge a pre-determined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the “all-inclusive” fees for all of the property management services provided by our teams and sub-contractors;
“overall strength”	<p>China Index Academy ranks the overall strength of property management companies by evaluating the following aspects:</p> <ul style="list-style-type: none">• management scale, taking into account total assets, total number of property management projects, total revenue-bearing GFA and number of cities that an enterprise has entered into.• operational performance, taking into account revenue, net profit, revenue per employee and operating costs as a percentage to total revenue;• service quality, taking into account customer satisfaction rate, property management fee collection rate, renewal rate of property management services and number of star-level communities;• growth potential, taking into account revenue growth rate, total contracted GFA under management growth rate, contractual total reserved GFA and number and composition of employees; and• social responsibility, taking into account total annual tax payment, number of job offered, affordable housing management area and total amount of donation;
“residential communities” or “residential properties”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties;

GLOSSARY OF TECHNICAL TERMS

“revenue-bearing GFA”	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services and are entitled to collect the relevant property management fees as at the relevant date;
“Top 100 Property Management Companies”	an annual ranking of China-based property management companies by overall competitiveness published by CIA based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility which comprised 210, 200 and 220 such companies, respectively, for 2017, 2018 and 2019, where the number of companies for each of 2017, 2018 and 2019 exceeded 100 as multiple companies with very close scores were assigned the same ranking.

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. 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 strategies and plans to achieve these strategies;
- changes on the fair valuation of our assets;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below and the accountants' reports included in Appendix I to this prospectus, before making an investment in our Shares. You should pay particular attention to the fact that we conduct significant operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the trading price of our Shares may decline as a result. You may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A substantial portion of our property management service agreements during the Track Record Period were related to properties developed by Hevol Real Estate Group. We cannot guarantee that we can procure new property management service agreements in the future

The selection of a property management company by property owners or property developers depends on a number of factors, including but not limited to, the quality of services provided, the level of pricing as well as the operating history of property management companies. We cannot assure you that we will be able to procure new property management service agreements in the future.

Furthermore, a substantial portion of our property management service agreements during the Track Record Period were related to the management of properties developed by Hevol Real Estate Group. For the years ended 31 December 2016, 2017 and 2018, revenue generated from property management services provided to the properties developed by Hevol Real Estate Group accounted for 97.3%, 96.3% and 95.9% of our revenue generated from property management services, respectively. Any adverse development in the operations, land bank and property development cycle of Hevol Real Estate Group or their ability to develop new properties may affect our ability to procure new property management service agreements. In addition, we cannot assure you that Hevol Real Estate Group will engage us as their property management service provider for properties they develop, particularly because the appointment of property management companies is generally subject to a tender process under PRC laws. If we are unable to procure property management services agreements from alternative sources to make up for the shortfall in a timely manner or on favourable terms, our results of operations and growth prospects may be materially and adversely affected.

Development plan of property management projects developed by Hevol Real Estate Group may not proceed as planned, our future growth may not materialise as planned, and failure to manage future growth effectively may adversely affect our business, financial position and results of operations

The majority of the property management projects we managed were developed by Hevol Real Estate Group. If the development plans of the property management projects of Hevol Real Estate fail to proceed as planned, our results of operations and financial performance will be adversely affected.

RISK FACTORS

We have been expanding our business in recent years mainly through organic growth. Our contracted GFA under management increased during the Track Record Period from 6.8 million sq.m. as at 31 December 2016 to 7.2 million sq.m. as at 31 December 2017, and further to 8.2 million sq.m. as at 31 December 2018, representing a CAGR of 9.8% from 2016 to 2018. We seek to continue to grow our portfolio of property management projects. For further details, please refer to the section headed “Business – Business Strategies – Further expand the scale of our property management business and increase our operational efficiency” in this prospectus. However, our expansion is based upon our forward-looking assessment of market prospect. We cannot guarantee 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. Such factors include changes in the PRC’s general economic condition and the development in property management market, such as government regulations and changes in supply and demand for our services. Our ability to grow also depends on our ability to hire, retain, train, supervise and manage additional officers and employees, replicate our business model, allocate our human resources as well as manage our relationships with a growing number of customers, suppliers and other business partners.

We may have limited knowledge of the local property management service markets or have little or no prior business experience in the new markets that we will expand into. We also may face difficulties in adapting to the administrative, regulatory and tax environments in new markets, which could be substantially different from those in our established markets. In addition, we may not have established relationships with local merchants, third party sub-contractors, and other business partners as we do in our established markets. We may have limited ability to leverage our brand name in new markets and may face more intense competition from other property management companies or property developers that manage their own properties in those new markets.

Furthermore, our future growth depends on our management’s ability to improve our administrative, technical, operational and financial infrastructure. We cannot assure you that our future growth will materialise and that we will manage our future growth effectively, and failure to do so would have a material adverse effect on our business, financial position and results of operations.

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

Historically we did not expand our business through acquisition. In the future, we plan 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. We expect our future business expansion by acquisition to be subject to the following risks: acquisitions involve inherent risks and uncertainties, including without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities in connection with the acquisition targets, inability to apply our business model or standardised business processes on the acquisition targets, failure to achieve the intended acquisition objectives or benefits, as well as diversion of resources and management attention from managing our existing business operations. In addition, we cannot assure you that we will be able to identify suitable acquisition opportunities. Even if we can, we may not be able to complete the acquisitions on

RISK FACTORS

terms favourable to us, in a timely matter, or at all. Under such circumstances, our competitiveness and growth prospects could be materially and adversely affected. Furthermore, we may face difficulties in integrating acquired operations into our business as we continue to expand our operations through acquisition. Such post-acquisition difficulties could disrupt our business operations, distract our management's attention or increase our operating expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

51.8%, or HK\$47.0 million, of the net proceeds raised from this Global Offering will be used to acquire or invest in other property management companies. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further 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.

Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, employment benefit expenses and sub-contracting costs.

The property management industry is labour intensive. For the years ended 31 December 2016, 2017 and 2018, employment benefit expenses accounted for 37.6%, 36.3% and 37.2% of our total cost of sales, respectively. In addition, we outsource certain functions, such as security, cleaning and maintenance services, to sub-contractors. During the same periods, our sub-contracting costs accounted for 31.2%, 35.4% and 36.5% of our total cost of sales, respectively. To maintain and improve our profit margins, it is critical to control and reduce our employment benefit expenses, as well as other operating costs. Our staff costs face upward pressures from various aspects, including but not limited to the increase in minimum wages and increase in headcount. As we expand our operations, we expect our employee headcount will continue to increase. In addition to our cost of labour, the increasing headcount also increases other associated costs such as those related to the implementation of training and quality control measures. We will also need to retain and continuously recruit qualified employees to meet our growing demands for talent, which will further increase our total headcount. The competition for recruiting qualified employees in the PRC 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 accordingly.

Our ability to maintain and improve our current profitability level depends on whether we can control and reduce our employment benefit expenses and other operating costs as our business expands and replicate the same business model and standard processes across different properties under management. We may not be successful in reducing our reliance on manual labour through our standardisation of procedure and smart management, and there can be a lapse in time between the commencement of our property management services and the implementation of aforesaid measures to reduce operating costs. We cannot ensure you that we will control or reduce our operating costs, improve our cost efficiency or successfully pass the increased cost to our customers so as to maintain our profitability. If we cannot achieve this, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Termination or non-renewal of our property management services for a significant number of properties could adversely affect our business, financial position and results of operations

We generate a substantial part of our revenue from property management services performed under our property management service agreements. For the years ended 31 December 2016, 2017 and 2018, revenue generated from our property management services accounted for 68.6%, 69.6% and 69.2% of our total revenue, respectively. The majority of our preliminary property management service agreements do not have fixed terms, which will expire when the property owners' association are established. To continue managing the property, we would have to enter into property management service agreements with the property owners' associations, which typically range from two to five years and may be terminated for cause. We cannot guarantee that property owners' associations, where applicable after being established, will enter into property management service agreements with us instead of our competitors. Even where we succeed in entering into property management service agreements with property owners' associations, we cannot guarantee that they will be renewed upon expiration. It is also possible that they may be terminated for cause. For further details, please refer to the section headed "Business – Our Property Management Services – Property management service agreements – Residential properties" in this prospectus. We cannot assure you that our services can be provided at a satisfactory level for us to be re-appointed. Termination or non-renewal of a significant number of property management service agreements could have a material effect on our revenue from property management services.

In addition, the performance and development of our community-related services business, to a large extent, rely upon the number of properties we manage for our property management services business. Therefore, any failure to renew our property management service agreements or termination of such agreements could also adversely affect the performance of our other businesses.

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

According to the China Index Academy, the PRC property management industry is competitive and fragmented with approximately 118,000 companies operating in the industry in 2017. Please refer to the section headed "Industry Overview – Competition – Competitive Landscape" in this prospectus for further details. Our major competitors include national and regional property management companies. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, including property management portfolio, brand recognition, financial resources, price and service quality. Our competitors may have better track records, longer operating histories and more abundant financial, technical, sales, marketing and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may deploy more resources into the development, promotion, sale and support of their services. We cannot assure you that we will continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

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

During the Track Record Period, we primarily generated revenue from provision of property management services on a lump sum basis, which accounted for 99.9%, 99.8% and 99.7% of our total revenue from property management services for the years ended 31 December 2016, 2017 and 2018, respectively. On a lump sum basis, we charge property management fees at a pre-determined fixed lump sum price per sq.m. of revenue-bearing GFA on a monthly basis, representing “all-inclusive” fees for the property management services provided. These property management fees are fixed, regardless of the actual amount of property management costs we incur. In the event that the amount of property management fees we charge is insufficient to cover the costs for property management service we incur, we are not entitled to collect the shortfall from the relevant property owners’ associations or property developers and may suffer losses accordingly.

If we are unable to raise property management fee rates and there is a shortfall in working capital after deducting the property management costs, our profit margins would be adversely affected. Furthermore, our ability to mitigate the risk of such losses through cost-saving initiatives such as smart management measures to reduce staff costs as well as energy-saving measures to reduce energy costs may not be successful. Under such circumstances, our business and results of operations may be adversely affected.

We may not be able to collect property management fees from customers which result in impairment losses on our trade receivables

We may encounter difficulties in collecting property management fees from property owners and residents. Our overall collection rate of property management fees from property owners and residents, calculated as a percentage of property management fees cumulatively collected for the entire period of relevant year, out of the corresponding total property management fees receivable for the same year, was 60.0%, 65.6% and 79.8%, for the years ended 2016, 2017 and 2018, respectively. Our collection rate of property management fees from property owners and residents, excluding Hevol Real Estate Group, was 83.0%, 85.4% and 88.4% for the same periods, respectively. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective.

The balance of our provision for impairment of trade receivables was RMB8.7 million, RMB10.7 million and RMB13.6 million as at 31 December 2016, 2017 and 2018, representing 12.5%, 13.4% and 17.1% of our trade receivables as at the same dates, respectively. During the same periods, our provision for impairment on trade receivables recognised in the consolidated statements of profit or loss and other comprehensive income amounted to RMB1.7 million, RMB1.9 million and RMB3.0 million, respectively. In determining the loss provision for trade receivables, we consider whether there is a significant increase in credit risk of the receivables. To assess whether there is a significant increase in credit risk, we compare the risk of default occurring on the receivables as at the reporting date with the risk of default as at the date of

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initial recognition as well as forward looking information. Although our management's estimation and the related assumptions were made in accordance with information available to us at the time of determining such impairment, such estimation or assumptions may need to be adjusted when new information becomes available.

As we may receive payments from property owners after the services are rendered, the ageing of our receivables at any point of time may be significant. As at 31 December 2016, 2017 and 2018, our total long outstanding trade receivables (before provision for impairment) aged over 180 days were RMB34.6 million, RMB46.8 million and RMB55.2 million, respectively. Even though we were able to recover our trade receivables through various means of fee collection, the process of such collection could be time-consuming and requires financial and other resources to carry out the actions. Furthermore, failure to secure adequate payments in time or to manage trade receivables effectively could have a material and adverse effect on our business, financial position, results of operations and prospects. If the actual recoverability is lower than expected, or that our past provision for impairment of trade receivables becomes insufficient in light of the new circumstances, we may need to make more provision for impairment of trade receivables, which may in turn adversely affect our business, financial position and results of operations. If we are unable to collect property management fees from customers or experience a prolonged delay in receiving such fee payments, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

We rely on third-party sub-contractors to perform certain property management services and may be held responsible for their substandard services to our customers

We outsource certain property management services, including security, cleaning, gardening, greening, repair and maintenance services, to third-party sub-contractors. For the years ended 31 December 2016, 2017 and 2018, our sub-contracting costs accounted for 31.2%, 35.4% and 36.5% of our total cost of sales, respectively. We may not monitor the services of our sub-contractors as directly and effectively as with our own employees. They may take actions contrary to our customers' instructions or requests, their service quality may be inferior to our own standards, or they may be unable or unwilling to fulfil their contractual obligations timely, or at all. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, any of which could damage our reputation, cause additional expenses and business disruptions, and potentially expose us to litigation and damages claims.

Furthermore, when our existing sub-contracting agreements expire, we cannot assure you that we would renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, any interruption to the sub-contractors' work process may result in a breach of the our property management agreements with customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

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A significant portion of our operations are located in the regions of Northern and Southwestern China, which exposes us to concentration risks

Our operations are focused on large cities with a high population density, with a particular focus on the regions of Northern and Southwestern China. As at 31 December 2016, 2017 and 2018, (i) we had a total revenue-bearing GFA of 2.7 million sq.m., 2.8 million sq.m. and 2.9 million sq.m. for the Northern China region, which accounted for 49.8%, 46.4% and 45.3% of our total revenue-bearing GFA for the corresponding periods, and (ii) we had a total revenue-bearing GFA of 1.8 million sq.m., 2.1 million sq.m., and 2.2 million sq.m. for the Southwestern China region, accounting for 33.6%, 34.9% and 34.9% of our total revenue-bearing GFA for the corresponding periods, respectively.

We expect that our operations in the regions of Northern and Southwestern China will continue to account for a significant portion of our operations in the near future. As such, any adverse development in government policies or the business environment in these regions, including economic downturn, natural disaster, contagious disease outbreak, terrorist attack, or adoption of regulations imposing burdens on us or the property management industry in general, could materially and adversely affect our business, financial position and results of operations.

The preferential tax treatments enjoyed by us may change or become unavailable

According to the applicable PRC tax regulations, the general corporate income tax rate in the PRC is 25% on the estimated assessable profits. The preferential income tax rate applicable to certain of our Group entities in the PRC within the scope of China's Western Development Programme including Chongqing, Guizhou and Chengdu, was 15%, for the years ended 31 December 2017 and 2018, and is expected to remain effective until 2021.

Pursuant to the relevant laws and regulation in the PRC, certain of our PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2016, 2017 and 2018. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small low-profit enterprises with an annual taxable income of less than RMB300,000 for the year ended 31 December 2016, RMB500,000 for the year ended 31 December 2017 and RMB1.0 million for the year ended 31 December 2018, were also entitled to a tax concession for 50% of its taxable income.

However, we cannot assure you that we could continue to enjoy such preferential tax treatment at the historical level, or at all. Any change, suspension or termination of the preferential tax treatment to us could adversely affect our financial condition, results of operations and cash flows.

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We own beneficial interest in certain investment properties through contractual arrangements without the transfer of legal title. We may face adverse impact from the breach of these contractual arrangements by the registered owners of the investment properties

As at the Latest Practicable Date, we own the beneficial interest of certain investment properties through contractual arrangements. Such contractual arrangements with these investment property owners include:

- our Group is entitled to (i) exclusively occupy, use and receive income from the relevant investment properties; and (ii) at its sole discretion, decide to dispose of or otherwise deal with the relevant investment properties. For the avoidance of doubt, the relevant investment property owners were also excluded to enjoyment of such rights;
- to ensure the rights granted to our Group mentioned above, the investment property owners have agreed to mortgage the relevant investment properties to our Group and such charges will only be released until either such properties are sold and transferred to third party purchasers as decided by our Group, or the applicable local rules and regulations are amended so as to make it possible to transfer the legal title to our Group, whichever is earlier; and
- if our Group decides to sell any investment property to a third party, the relevant investment property owners shall assist our Group to complete such transaction and our Group is entitled to receive all the sales proceeds received from the third party purchaser.

For further details regarding our contractual arrangements in investment properties, please refer to the section headed “Business – Contractual Property Interest” in this prospectus.

While we have fully paid the consideration to own the beneficial interest of these investment properties, the legal title of such properties remain with the investment property owners due to local policy limitation. Pursuant to the contractual arrangements, most of the investment properties have been mortgaged by the relevant investment property owners to our Group so that the investment properties being mortgaged could not be further pledged by the investment property owners without our authorisation. However, as the legal title of such properties remains with the investment property owners due to local policy limitation, we cannot guarantee that these investment property owners will not breach the contractual arrangements, and assign, mortgage, or transfer such properties to third parties, or exercise rights otherwise available to registered property owners, without our prior authorisation. Any inability to enforce the contractual arrangements or to prevent a breach by the investment property owners under the contractual arrangements could have adverse impact on our Group’s business, prospects and results of operations.

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Our pricing of property management fees under preliminary property management service agreements is subject to PRC Government regulations

Our operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities. In December 2014, the NDRC issued the Circular of NDRC on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), (the “**Circular on Relaxing Price Controls**”) which requires provincial-level price administration authorities to abolish all price control or guidance policies on affordable housing and preliminary property management service agreement. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. The price controls on residential properties may or may not relax over time pursuant to the Circular on Relaxing Price Controls. Our property management fees will continue to be subject to price controls until local regulations implementing the Circular on Relaxing Price Controls are passed and the significant majority of our property management services are still under preliminary property management service agreements. As at the Latest Practicable Date, the contracted GFA in relation to our Group’s property management services that are still under preliminary property management service agreements accounted for 88.8% our total contracted GFA. Government price control policies may have a negative affect on our earnings and profitability as such restrictions may lower the prices we may charge. Government-imposed limits on fees, coupled with rising staff costs and other operating costs, could have a negative affect on our profitability. Further, since we charge property management fees for a significant majority of our property management projects on a lump sum basis, our business, financial position and results of operations may be materially and adversely affected in the event that we are unable to increase the level of our property management fees sufficiently to pass any increases in costs to our customers.

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

Our business performance is primarily dependent on the total contracted GFA, the revenue-bearing GFA and the number of property management projects we manage. As such, our business growth is, and will likely continue to be, affected by the PRC Government regulations of our industries. For further details on the PRC laws and regulations that are applicable to our business operations, please refer to the section headed “Regulatory Overview” in this prospectus.

The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the land supply for property development, control of foreign exchange, property

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

Our failure to protect our intellectual property rights could have a negative affect on our business and competitive position

We consider our intellectual property, and in particular, the trademarks which are under application, or licenced, under the Transitional Trademark Licencing Agreement (defined in the section headed “Connected Transaction” in this prospectus), to be crucial business assets, key to customer loyalty and essential to our future growth. Please refer to the section headed “Business – Intellectual Property Rights” in this prospectus for further details. 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. Any unauthorised 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 policing unauthorised use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, our business, operating results and financial condition could be adversely affected.

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

We believe our insurance coverage is in line with the industry practise in the PRC and we did not experience any material insurance claims in relation to our business during the Track Record Period and up to the Latest Practicable Date. For further details regarding our insurance policies, please refer to the section headed “Business – Insurance” in this prospectus. However, we cannot assure you that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, our business, financial position and results of operations could be adversely affected.

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

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

Our reputation may be adversely affected by customer complaints relating to services provided by our Group even if they may be frivolous or vexatious

Our customers may file complaints or claims against our Group regarding our services. Our customers are largely individual property owners and residents who come from all walks of life and may have different expectations on how their properties and neighbourhoods should be managed. As a result, during our ordinary course of business, we need to maintain a balance among these varying expectations.

Although we have established quality control procedures for our services and maintained communication channels for customer feedbacks and complaints, we cannot assure you that all property owners' and residents' expectations and demands can be addressed in a timely and effective manner. We also cannot guarantee that certain individual property owners and residents and/or groups of property owners and residents of a property under our management will not have specific demands or expectations which are beyond what we can provide within our normal course of operations. Furthermore, we cannot guarantee that, in order to compel us to meet these demands, such property owners and residents will not attempt to exert pressure by means beyond our control, such as lodging or making frivolous or vexatious complaints to us. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse affect on our business, our reputation and the trading price of our Shares.

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

The common areas of the properties we manage, 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, residents' intended or unintended actions, and epidemics. For example, in the event of natural disasters, such as earthquakes, typhoons and floods, the common areas may be materially damaged.

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Under the PRC laws, each residential community is required to establish a special fund to pay for the costs for the repair and maintenance of common areas and public facilities after the expiry of property service guarantee that are jointly-owned by all property owners. However, we cannot assure you 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, results of operations and financial position 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 property management projects.

We are exposed to risks in relation to work safety and occurrence of accidents

Work injuries and accidents may occur during the course of our business. For example, when our employees or employees of our sub-contractors provide repair and maintenance services to the elevators of our property management projects, there are inherent risks of work injuries or accidents occurring due to the nature of performed services. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations.

Nevertheless, we cannot assure you 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 sub-contractors, will not occur in the future. In such events, these occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and we may be held liable for the losses. In addition, we are exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing our services. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

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

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

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We may be subject to fines for our failure to register for and/or contribute to social insurance and housing provident funds for our employees and make timely disclosure in relation to certain non-recurring related party transactions

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not register nor fully contribute to certain social insurance and housing provident funds for some of our employees. We have made provisions in the amounts of RMB4.5 million, RMB4.3 million and RMB4.7 million on our financial statements in respect of such potential liabilities for the years ended 31 December 2016, 2017 and 2018, respectively, for certain of our PRC subsidiaries. Please refer to the section headed “Business – Historical Non-Compliance Incidents – I. Social insurance and housing provident fund contribution” for further details.

Although we are not aware of any complaints or demands for payment of these contributions from employees, our PRC Legal Advisers have advised that the relevant PRC authorities may notify us that we are required to complete registration and/or pay the outstanding contributions within a stipulated deadline. In respect of outstanding social insurance contributions that accumulated during and after the Track Record Period, we may be liable to a late payment fee equal to 0.05% of the outstanding amount calculated daily from the date the relevant insurance funds became payable and, if we fail to make such payments in arrears, we may be liable to a fine of one to three times the outstanding contribution. Our PRC Legal Advisers have also advised that, under the relevant PRC law and regulations, we may be ordered to pay the outstanding housing provident fund within a prescribed time period, and if we fail to make such payments, application may be made to a people’s court in the PRC for compulsory enforcement.

In addition, we failed to make timely disclosure in relation to certain non-recurring related party transactions with Hevol Real Estate Group in 2016. Please refer to the section headed “Business – Historical Non-Compliance Incidents – II. Disclosure on related party transactions” in this prospectus for further details. As advised by our PRC Legal Advisers, the maximum potential penalties/fines for failure to make timely disclosure in relation to such non-recurring related party transactions could range from RMB300,000 to RMB600,000.

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, fines regarding non-compliance incidents against us. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC Government or relevant local authorities.

We may be subject to administrative penalties as we have not registered all of our leased agreements with housing administration authorities

Pursuant to applicable PRC laws and regulations, lease agreements must be registered with housing administration authorities. As at 31 December 2018, we failed to register our lease agreements for all of our leased properties, primarily due to (i) lack of cooperation from

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our landlords in registering the relevant lease agreements; and (ii) the fact that title certificates and proofs of ownership were not obtained by our landlords for certain leased properties. Under PRC laws and regulations, we and our landlords may be subject to administrative fines for failing to register the lease agreements, and the competent authorities may require that we register such lease agreements within a prescribed period. Our PRC Legal Advisers have advised us that we may be ordered to rectify our failure to register and, if we fail to do so within a prescribed period, a penalty of between RMB1,000 and RMB10,000 per agreement may be imposed on us as a result. The estimated total amount of penalty for our failure to file our lease agreements is RMB21,000 to RMB210,000. In relation to our leased properties for which our landlords did not obtain the certificates and proofs of ownership in the event that our leases are challenged by third parties, we intend to find alternative locations nearby and relocate relevant business operations. We may incur additional relocation costs and cannot assure you that we will be able to find alternative locations in a timely or effective manner.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management would affect our operation

Our continued success is highly dependent upon the efforts of our senior management and other key employees. If either of them or any of our other key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. We consider Mr. Wang Wenhao and Ms. Hu Hongfang, being our executive Directors, Mr. Zhou Wei, being our non-executive Director, and Mr. Sun Yang and Mr. Gao Yongxing, being our deputy general managers, are the key management personnel of our Group, and their experience and knowledge of our industry as well as our Group, have contributed, and will continue to contribute, to our success. For further details on our senior management, please refer to the section headed “Directors and Senior Management – Senior Management” in this prospectus. In addition, the future growth of our business will depend in part on our ability to attract and retain qualified personnel in all aspects of our business, including but not limited to corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

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

As at 31 December 2016, 2017 and 2018, our deferred tax assets amounted to RMB4.6 million, RMB3.9 million and RMB4.8 million, respectively, which mainly represented the temporary differences arising from impairment provision on receivables from our Group. For details on the movements of our deferred tax assets during the Track Record Period, please refer to Note 18 to the Accountants’ Report in Appendix I to the prospectus. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that

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adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to which extent they may affect our financial positions in the future.

The valuation of our investment properties are subject to inherent market uncertainties under which any impairment loss may affect our financial position

Our Group's investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are subject to impairment testing and the valuation of investment properties is subject to certain inherent market uncertainties which may affect their fair value. If the fair value of our investment properties falls significantly below their carrying amount, we may be subject to impairment loss. Any impairment loss on our investment properties could negatively impact our financial position and financial results of that reporting period.

We recorded revenue from gain on disposal of investment properties which was non-recurring in nature

We recorded a non-recurring gain on disposal of investment properties amounting to RMB3.1 million and RMB1.4 million for the years ended 31 December 2016 and 2017, respectively, as a result of our sale of car-parking spaces to related parties. For details, please refer to the section headed "Financial Information – Description of Selected Consolidated Statements of Profit or Loss And Other Comprehensive Income Items – Other Income" in the prospectus.

Income from gain on disposal of investment properties was capital and non-recurring in nature. The selling price of our investment properties at the time of sale also depends on our management's judgment in their discretion which is subject to certain assumptions. If we fail to sell investment properties at a fair value due to management's judgment or changes in market conditions, we may suffer losses. Such losses could adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in PRC economic, political and social conditions as well as government policies, could have a material adverse effect on our results of operations and prospects

All of our business operations, the property management projects we manage, and our customers and suppliers are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social conditions in the PRC. The PRC Government plays a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over the national economic development through the allocation of resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies.

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Although the overall growth of the PRC economy is significant over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures or reforms may have a positive effect on the overall and long-term market development, but we cannot predict if there will be any negative effect on us. For instance, our results of operations may be adversely affected by changes in tax regulations that are applicable to us. We cannot guarantee that we will adapt to new rules and regulations that may come into effect from time to time or that we will not encounter material delays or difficulties in fulfilling the necessary condition or obtain all necessary certificates permits for our operation in the future. In addition, the PRC Government has expressed in recent years its concerns relating to the rapid growth in industrial production, bank credit, fixed investments, money supply and price of real estate. Accordingly, the PRC Government has taken certain measures to control economic growth at a more sustained and healthy pace, such as applying restrictions on bank loans to certain sectors and increasing lending and deposit interest rates.

Inflation in China could negatively affect our profitability and growth

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. We cannot assure you that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our properties.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to a tax rate of 25% on our global income

Pursuant to the EIT Law, which came into effect on 1 January 2008 and was amended on 24 February 2017, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the Enterprise Income Tax Implementation Regulations of the PRC (《中華人民共和國企業所得稅法實施條例》) (“**EIT Implementation Rules**”), “de facto management body” is defined as the organisational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

State Administration of Taxation (“**SAT**”) released the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (the “**Circular No. 82**”) on 22 April 2009 (which was amended on 29 December 2017) setting out the standards and procedures for

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determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular No. 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. In addition, Circular No. 82 also requires that the determination of “de facto management body” shall be based on the principle that substance is more important than form. Further to Circular No. 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行)) (the “**Bulletin 45**”), which took effect on 1 September 2011 and amended on 1 June 2015, 28 June 2016 and 15 June 2018 to provide more guidance on the implementation of Circular No. 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular No. 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular No. 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general. All members of our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

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 consolidated subsidiaries incorporated in China. We rely on dividends paid by these consolidated 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.

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In addition, under the EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, which was issued on 29 January 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 8 December 2006, and the Announcement of the State Administration of Taxation on the Determination of “Beneficial Owners” in the Tax Treaties, which became effective on 1 April 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 organisational changes to minimise the corresponding tax impact.

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

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

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

We plan to finance our equity controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC Government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed a mandatory limitation approved under the relevant PRC laws and based on the elements including their respective registered capital or net asset. In addition, the amounts of the capital contributions are subject to the registration or approval of the Ministry of Commerce in China or its local counterpart. We cannot assure you that we will complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

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

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

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

However, many of these laws and regulations are relatively new. There may be a limited volume of published decisions regarding their interpretation and implementation, or the relevant local administrative rules and guidance on implementation and interpretation have not been put into place. Thus, there are uncertainties involved in their enactment timetable, which may not be as consistent and predictable as in other jurisdictions. For example, on 20 July 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (國稅地稅徵管體制改革方案) (the “**Reform Plan**”), which stipulated that tax authorities will collect social insurance contributions from 1 January 2019 onwards, which may result in a stricter regime for the collection of social insurance funds. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. Consequently, we may not be aware of any violation of these policies and rules until some time after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

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It may be difficult to effect service of process on our management or to enforce against us or them in the PRC any judgements obtained from non-PRC courts

All of our Executive Directors and executive officers reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions may be difficult or even impossible.

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

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Please refer to the section headed “Regulatory Overview – Regulations Relating To Foreign Exchange Control – Regulations on foreign currency exchange” in this prospectus for further details. We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not pay dividends in foreign currencies to our shareholders.

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

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect our financial position.

SAFE promulgated the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “Circular No. 37”) on 4 July 2014. According to

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Circular No. 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the “SPVs”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

To the best of our knowledge, as at the Latest Practicable Date, all of our Shareholders that are being subject to SAFE regulations have completed all necessary registrations required by Circular No. 37. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC residents, and may not always be able to compel our beneficiaries to comply with the requirements of Circular No. 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by Circular No. 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under PRC foreign exchange administration regulations.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC and also the properties we manage. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, there have been reports on outbreaks of health epidemics such as the H1N1 flu virus, avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses. Occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Any future outbreak of avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas and also the properties we manage, which in turn may have a material and adverse effect on our business, financial position and results of operations.

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RISKS RELATING TO THE GLOBAL OFFERING

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

The Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets of HK\$0.52 per Share, based on the maximum Offer Price of HK\$1.56 per combined Offer Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to our Share Option Scheme. Purchasers of our Shares may experience dilution in the net tangible assets book value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Offer Shares and their liquidity and market price may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations between us and the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this “Risk Factors” section or elsewhere in this prospectus, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;

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- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our issued and outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholders or other Shareholders.

You should note that the stock prices of companies in the property management industry have experienced wide fluctuations. Such wide market fluctuations may adversely affect the market price of our Shares. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Future sales, or perceived sales, of substantial amounts of our Shares in the public market could have a material adverse affect on the prevailing market price of our Shares

Any issuance of new Shares, any future sales of significant number of our Shares, by our existing Shareholders, in the public market, or any possibility that such issuances or sale may occur, could also contribute to declines of the market price of our Shares and significantly impair our ability to raise equity capital through offerings of our Shares in the future.

In addition, the Shares held by our Controlling Shareholder are subject to a lock-up period after completion of the Global Offering. For further details, please refer to the sections headed “Underwriting – Undertakings – Undertakings pursuant to the Hong Kong Underwriting Agreement – By our Controlling Shareholders” and “Underwriting – Undertakings – Undertakings to the Stock Exchange Pursuant to the Listing Rules – By our Controlling Shareholders” in this prospectus. While we are not aware of any intentions of our Controlling Shareholder to dispose of significant number of our Shares after the completion of the lock-up periods, we are not in a position to give any assurances that they will not dispose of their Shares they may own. Future sale of substantial number of our Shares by our Controlling Shareholder following the completion of the relevant lock-up period could materially and adversely affect the prevailing market price of our Shares.

The price of our Shares may fall before trading begins due to the time lag between pricing and trading of the Offer Shares

The Offer Price will be determined on the Price Determination Date. However, The Shares will not commence trading on the Stock Exchange until the Listing Date. Investors may not sell or otherwise deal in our Shares during the period between the Price Determination Date

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and the Listing Date. Accordingly, holders of our Shares bear the risk that the prices of our Shares could fall when trading commences due to adverse market conditions or other adverse developments which may occur between the Price Determination Date and the Listing Date.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will continue to have substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association and the Companies Law and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be at a disadvantage and harmed.

We cannot assure you as to whether and when we will pay dividends in the future

Save for (i) a dividend amounting to RMB21.6 million that had been proposed, approved and paid by companies now comprising our Group to the then shareholders of Beijing Hongsheng in July 2018, and (ii) a dividend to our Shareholders amounting to RMB25.4 million that our Company declared and approved in February 2019, our Group had not declared and paid dividends during the Track Record Period and up to the Latest Practicable Date. We cannot assure you as to whether and when we will pay dividends in the future. Any future declarations of dividends will be proposed by our Board, which will be subject to approval of our Shareholders at a general meeting. The amount of any dividend will depend on various factors such as our results of operations, financial condition and future business prospects. For further details, please refer to the section headed “Financial information – Dividends and Dividend Policy” in this prospectus for further details.

Investors should rely on this prospectus and should not place any reliance on any information contained in press articles or other media regarding in making their investment decision

Before the publication of this prospectus, there may be press and media coverage which contains certain information regarding the Global Offering and us that is not set out in this prospectus. We have not authorised the disclosure of such information in any press or media. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it and do not accept any responsibility for such press or media coverage or the accuracy or completeness of such information. Accordingly, prospective investors should not rely on any such information.

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Forward-looking information may prove inaccurate

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

Our Shareholders may not have the same protection of their shareholder rights under Cayman Islands law comparing to what they would have under Hong Kong law

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent of other jurisdictions.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

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 purposes of satisfying the requirements 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 business operations are based, managed and conducted in the PRC, our management is best able to attend to its functions 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) we have appointed Mr. Wang Wenhao (王文浩), our executive Director, and Mr. Li Lap Keung (李立强), our company secretary who is ordinarily resident in Hong Kong, as our authorised representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as the principal channel of communication of our Company with the Stock Exchange who will be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to the Company within a reasonable period of time upon request. The authorised representatives have been duly authorised to communicate on behalf of the Company with the Stock Exchange;
- (b) each of the authorised representatives has been provided with the contact details of each of our Directors and therefore has means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any reason. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to our authorised representatives;
- (c) all of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents or will be able to apply for valid travel documents to travel to Hong Kong and will be able to meet the Stock Exchange within a reasonable period upon request;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (d) we have appointed Southwest Securities (HK) Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, to act as our additional channel of communication with the Stock Exchange from the Listing Date to the date on which our Company distributes its financial results for the first full financial year immediately after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and

- (e) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or compliance adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorised representatives and/or our 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, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions-(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and independent Shareholders' Approval Requirements." Please refer to the section headed "Connected Transactions" in this prospectus for further details.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our 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 and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our 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 in this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 10,000,000 Offer Shares and the International Offering of initially 90,000,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure and Conditions of the Global Offering" in this prospectus.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around 3 July 2019. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

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 authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further information regarding the structure and conditions of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering”, and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering, the Capitalisation Issue and the exercise of options which were granted under the Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 12 July 2019. Save as disclosed in the section headed “Statutory and General Information – Other Information – Miscellaneous” in this prospectus, no part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on our Company's Hong Kong register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in our Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on 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. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.88046 to HK\$1.00. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures including operating and financial figures and share ownership included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Non-executive Directors</i>		
Mr. Liu Jiang (劉江)	No. 7, North Road, East 4th Ring, Chaoyang District, Beijing, China (中國北京市朝陽區東四環北路七號)	Chinese
Mr. Zhou Wei (周煒)	527-4-8B, Building No. 527, No. 10, Nanhu South Road, Chaoyang District, Beijing, China (中國北京市朝陽區南湖南路10號527號樓8層527-4-8B)	Chinese
<i>Executive Directors</i>		
Ms. Hu Hongfang (胡洪芳)	29-7, Building No. 3, 73 Yang He No. 2 Village, Jiangbei District, Chongqing, China (中國重慶市江北區洋河二村73號3幢29-7)	Chinese
Mr. Wang Wenhao (王文浩)	No. 202, Unit 3 2/F, Block 23 Yangzhuang Zhongqu Shijingshan District Beijing (中國北京市石景山區楊庄中區23號樓2層3單元202號)	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Independent Non-executive Directors</i>		
Mr. Qian Hongji (錢紅驥)	No. 2, No. 44, North Third Ring Road Haidian District Beijing, China (中國北京市海澱區北三環中路44號2號)	Chinese
Dr. Li Yongrui (李永瑞)	No. 1104, Unit 7, Building No. 1, No. 9 Yard, Lincui Road, Chaoyang District, Beijing, China (中國北京市朝陽區林萃路9號1號樓7門 1104號)	Chinese
Mr. Fan Chi Chiu (范智超)	Flat A 8/F, Ngar Lan Mans – Westlands Court, 9 Westlands Road, Quarry Bay, Hong Kong, China	Chinese
Dr. Chen Lei (陳磊)	Block 33. No. 8 Yard, Northeast Wangxi Road, Beijing, China (中國北京市東北旺西路8號院33號樓)	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

**Southwest Securities (HK) Capital
Limited**

40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Joint Global Coordinators

**Southwest Securities (HK) Brokerage
Limited**

40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CLC Securities Limited

13/F, Nan Fung Tower
88 Connaught Road Central
Central, Hong Kong

Joint Bookrunners

**Southwest Securities (HK) Brokerage
Limited**

40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CLC Securities Ltd.

13/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

ABCI Capital Limited

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

Ping An Securities Limited

18/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers**AMC Wanhai Securities Limited**

1605, West Tower
Shun Tak Centre
168-200 Connaught Road
Central, Hong Kong

Southwest Securities (HK) Brokerage Limited

40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CLC Securities Ltd.

13/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

ABCI Securities Company Limited

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

Ping An Securities Limited

18/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

AMC Wanhai Securities Limited

1605, West Tower
Shun Tak Centre
168-200 Connaught Road
Central, Hong Kong

Legal Advisers to our Company

As to Hong Kong law:

**Miao & Co.
(in Association with Han Kun Law Offices)**

Rooms 3901-05, 39/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Han Kun Law Offices

9/F, Office Tower C1
Oriental Plaza
No. 1 East Chang An Avenue
Beijing
The PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

53/F, The Center
99 Queen's Road Central
Central, Hong Kong

Legal Advisers to the Underwriters

As to Hong Kong law:

**H.M. Chan & Co in association with
Taylor Wessing**

21/F, No. 8 Queen's Road Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
China

Auditors and Reporting Accountants

Grant Thornton Hong Kong Limited
Certified Public Accountants

12th Floor
28 Hennessy Road
Wanchai
Hong Kong

Industry Consultant

China Index Academy

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Property Valuer**Savills Valuation and Professional Services Limited**

Room 1208, 12/F, Cityplaza One,
1111 King's Road,
Taikoo Shing,
Hong Kong

Receiving Bank**Bank of China (Hong Kong) Limited**

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Corporate headquarters	Room 1505, 1512, Block 4 Dianshi Business Park No. 39, Badachu Road Shijingshan District Beijing China
Principal place of business in Hong Kong	Suite 2409, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
Company's website	<u>www.hevolwy.com.cn</u> (The contents on this website do not form part of this prospectus)
Compliance adviser	Southwest Securities (HK) Capital Limited 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company secretary	Mr. Li Lap Keung (李立强) <i>(Hong Kong Certified Public Accountant)</i> Flat C, 1/F Block 4 Sun Tuen Mun Centre 55-65 Lung Mun Road New Territories Hong Kong
Authorised representatives	Mr. Li Lap Keung (李立强) Flat C, 1/F Block 4 Sun Tuen Mun Centre 55-65 Lung Mun Road New Territories Hong Kong Mr. Wang Wenhao (王文浩) No. 202, Unit 3 2/F, Block 23 Yangzhuang Zhongqu Shijingshan District Beijing

CORPORATE INFORMATION

Audit Committee	Mr. Fan Chi Chiu (范智超) (<i>Chairman</i>) Mr. Qian Hongji (錢紅驥) Dr. Chen Lei (陳磊)
Remuneration Committee	Dr. Li Yongrui (李永瑞) (<i>Chairman</i>) Mr. Qian Hongji (錢紅驥) Dr. Chen Lei (陳磊)
Nomination Committee	Mr. Liu Jiang (劉江) (<i>Chairman</i>) Mr. Qian Hongji (錢紅驥) Dr. Li Yongrui (李永瑞)
Cayman Islands share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 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 bankers	China Construction Bank, Beijing Branch, Zhongguancun South Avenue Sub-branch Building 1, No. 17 South Avenue, Zhongguancun Haidian District Beijing China Construction Bank Beijing Gucheng Sub-branch No. 49, Shijingshan Road Shijingshan District Beijing

INDUSTRY OVERVIEW

This industry overview section contains information and statistics that are derived from government publications, data we purchased from CIA and publicly available data.

We believe that the sources of the information presented here are appropriate, including forward-looking information for future periods as identified, and we have taken reasonable care in extracting and reproducing such information. The information and data derived from CIA are not commissioned by us, our connected persons or associates or the Sole Sponsor and CIA's information and data can be accessed by all its subscribers. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information extracted from the official government publications, the data purchased from CIA and the data extracted from publicly available sources have not been independently verified by us, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person (other than CIA) involved in the Global Offering. The information may not be consistent with other information available from other sources within or outside the PRC. None of us, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering, make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

RESEARCH BACKGROUND AND METHODOLOGIES

We purchased the right to use and quote various data from publications by CIA at a total cost of RMB800,000, which we believe reflects the market rate of similar publications, and supplemented these with data obtained from public sources where applicable. CIA is an independent research institute co-founded by experts with over 500 professional analysts, predominantly out of real estate research institutes in the PRC. CIA has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. In its research, CIA considers primarily property management companies that have managed at least 10 properties or an aggregate GFA of 500,000 sq.m. or above for the previous 3 years. CIA uses research parameters and assumptions and gathers data from a multitude of primary and secondary sources, including data from property management companies (including data from reported statistics, websites and marketing materials), surveys it has conducted, data gathered from the China Real Estate Index System, the China Real Estate Statistics Yearbooks, public data from governmental authorities and data gathered for prior reports it has published. CIA derives its rankings of overall strength of property management companies primarily by evaluating each property management company's property management scale, operational performance, service quality, growth potential and social responsibility. CIA assesses the growth potential of a property management company primarily in terms of revenue growth rate, growth rate of total revenue-bearing GFA, growth rate of total contracted GFA, total number of employees and composition of employees. In this section, the data analysis is primarily based on the Top 100 Property Management Companies in the PRC. In 2018, the Top 100 Property Management Companies comprised 220 such companies as multiple companies with very close scores were assigned the same ranking.

When preparing the industry report and ranking information, CIA has relied on the following assumptions: (i) all information and data provided by our Company are accurate, (ii) all published data by the National Bureau of Statistics of the PRC are accurate, (iii) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus of the PRC are accurate, (iv) where subscribed data is obtained from renowned public institutions, CIA has relied upon the expertise of such institutions, and (v) the social, economic and political conditions in the PRC will remain stable during the forecast period. CIA will not verify the accuracy of such information or reports, and will not be responsible for their accuracy.

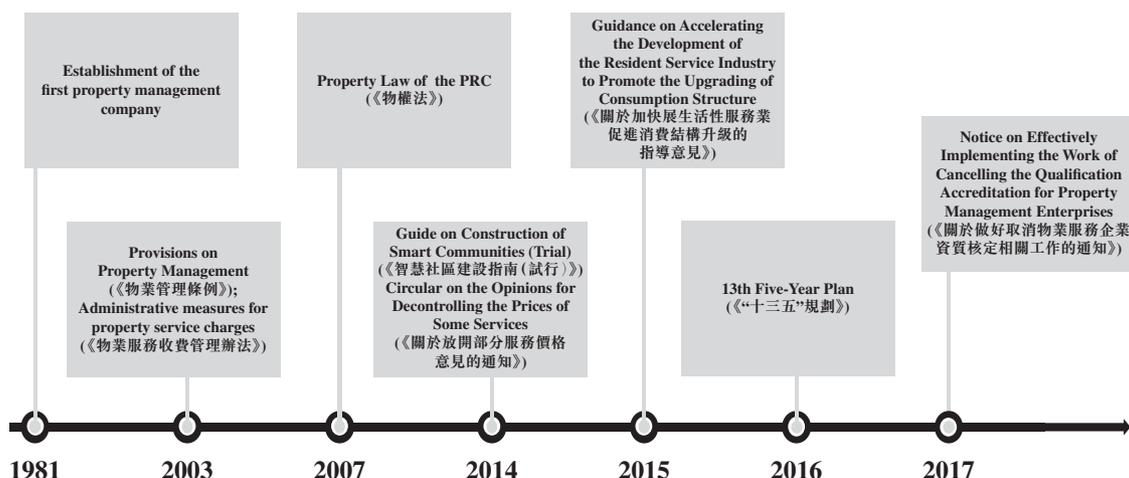
INDUSTRY OVERVIEW

We ranked the 44th in the PRC on the list of the Top 100 Property Management Companies in 2019 compiled by CIA. The ranking is determined by CIA after considering the following factors: (i) *management scale*. Total assets, total number of property management projects, total revenue-bearing GFA and number of cities that an enterprise has entered into are taken into consideration. (ii) *operational performance*. Revenue, net profit, revenue per employee and operating costs as a percentage to total revenue are taken into consideration. (iii) *service quality*. Customer satisfaction rate, property management fee collection rate, renewal rate of property management services and number of star-level communities are taken into consideration. (iv) *growth potential*. Revenue growth rate, total contracted GFA under management growth rate, contractual reserve total GFA as well as number and composition of employees are taken into consideration. (v) *social responsibility*. Total annual tax payment, number of jobs offered, affordable housing management area and total amount of donations are taken into consideration. On this basis, we consider the data and statistics to be reliable.

THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview

The property management industry emerged in 1981 in the PRC, when the first domestic property management company was founded in the Shenzhen Special Economic Zone. Since then, Shenzhen's property management industry became a model for other regions of the PRC and led to a rapid growth of the industry. Followed by the official promulgation of the *Provisions on Property Management* (《物業管理條例》) in 2003, the regulatory framework for the property management industry gradually took shape and matured, and an open and fair market system for the industry was established, which encouraged significant growth of the PRC property management industry. The PRC property management industry now services a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties. The following graph illustrates the development of the regulatory framework for the property management industry in the PRC over the years:



Source: CIA

INDUSTRY OVERVIEW

Property management companies derive revenue through the following ways:

- *Sources of revenue.* Property management companies generate a majority of revenue from property management services, which primarily include security, cleaning, greening, gardening and repair and maintenance services. Apart from property management fees, property management companies also derive revenue from value-added services to property owners and non-property owners, including financial services, property agency services, e-commerce, housekeeping services, elderly services, property consultancy services and engineering services.
- *Lump-sum model and commission model.* In the PRC, property management fees may be charged either on a lump sum basis or a commission basis. The lump sum revenue model for property management fees is the dominant revenue model in the property management industry in the PRC, especially for residential properties, as it is simple to use, and can bring efficiency by dispensing with certain collective decision-making procedures for large expenditures by property owners and residents and incentivize property management service providers to optimise their operations to enhance profitability. On the other hand, the commission model is increasingly adopted in non-residential properties to make property owners more deeply involved in the management of their properties with closer supervision over the performance of the property management service providers.

Market Outlook

Key characteristics of the property management industry in the PRC include:

- *Increasing market concentration.* The property management industry in the PRC is highly fragmented and competitive. Large-scale property management companies actively accelerate their expansion through organic growth as well as mergers and acquisitions of small-to-medium-sized property management companies, in order to expand the scale of properties under management for enjoying economies of scale and enhancing the efficiency of resource allocation. For instance, according to CIA, A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司) has acquired five property management companies with a total revenue-bearing GFA of approximately 100 million sq. m. since 2018. Many property management companies use mergers and acquisitions to mitigate risks when expanding into new markets, which help large-scale property management companies access local markets by leveraging the resources of the merged or acquired entities that are established in the local markets. Moreover, the market is increasingly becoming more concentrated. According to the CIA, the market share of the Top 100 Property Management Companies in the PRC in terms of revenue-bearing GFA increased from 16.3% in 2013 to 38.9% in 2018. Furthermore, the top ten out of the Top 100 Property Management Companies accounted for 11.4% of the market share in terms of revenue-bearing GFA in 2018.
- *Standardisation and smart management of residential communities.* With the popular application of the internet, mobile applications, cloud computing and other related technologies, property management companies are increasingly developing and/or adopting standardisation and smart management of residential communities. Property management companies in the PRC have boosted their investments in smart management systems to minimise human error and to apply consistent service procedures and standards across projects. The application of smart management systems provides a convenient and intelligent service interface to customers, facilitates the provision of property management services and improves the level customers' satisfaction. Furthermore, to enhance service quality and reduce staff

INDUSTRY OVERVIEW

costs, most of the Top 100 Property Management Companies have set up their own internal standardised operating procedures to facilitate the implementation of smart management and to promote innovations to maintain their leading market positions.

- Diversified managed property types and services.* In response to evolving customer needs and increasing operational pressure driven by rising cost, property management companies are increasingly diversifying the types of managed non-residential properties as management of such properties generates a higher profit margin as compared to that of residential properties. Property management companies are also increasingly diversifying their revenue streams by offering various value-added services for higher profitability. Such services mainly include consultancy services to property developers and other property management companies as well as community value-added services to property owners and residents, such as home living services, e-commerce services, property value management services and other professional services. Furthermore, according to the CIA, there is vast market potential for community value-added services, and the market volume of the community value-added services market is expected to reach RMB16.0 trillion in 2022. The following chart sets out the historical and expected market volume of community value-added services for the years indicated:



Source: CIA

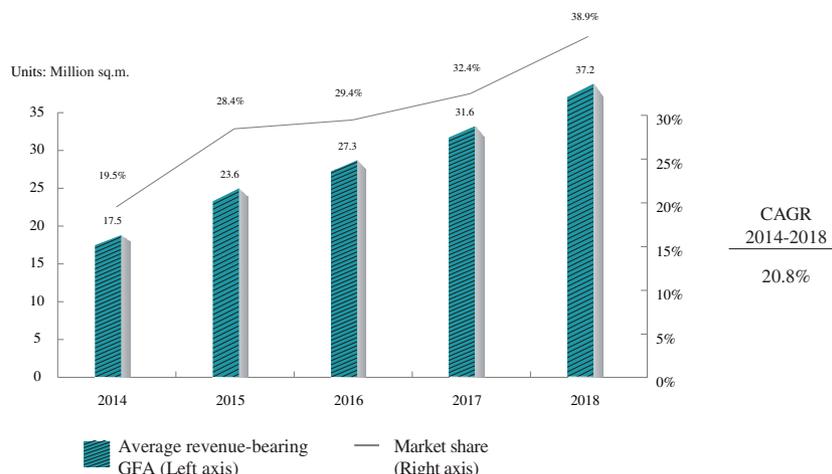
- Increasing use of sub-contractors.* In the face of rising labour cost pressure, many property management companies provide certain services such as general cleaning, greening and gardening, repair and maintenance and security through sub-contractors. For instance, the proportion of sub-contractors engaged by the Top 100 Property Management Companies for providing general cleaning services and gardening services was 60.4% and 43.3% in 2018, respectively.
- Recruitment of professionalised talents.* Most of the Top 100 Property Management Companies continue to recruit, develop and retain qualified, professionalised and skilled talents in various positions and functions through recruitment websites, on-campus recruitment programmes, job fair, recruiting firms and internal referrals. Given the importance of human resources in the industry, property management companies will continue to devote their resources to recruiting and training professionalised and skilled talents in order to improve the quality of property management services.

INDUSTRY OVERVIEW

Overview of the Top 100 Property Management Companies

Revenue-bearing GFA

The following chart sets out the average revenue-bearing GFA of the Top 100 Property Management Companies for the years indicated:

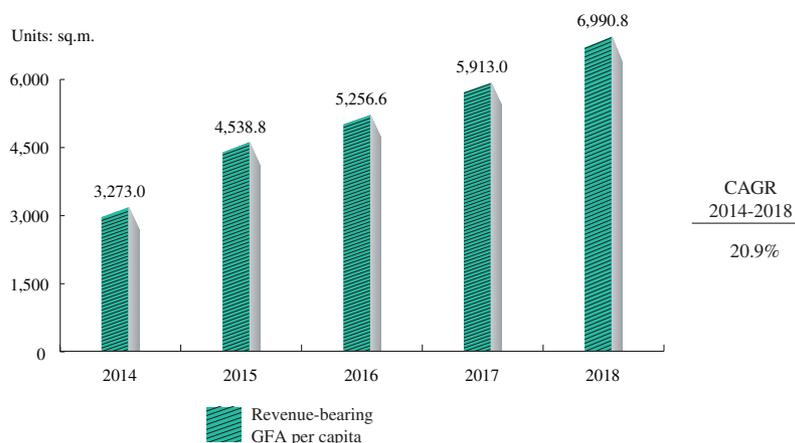


Source: CIA

Note: Average revenue – bearing GFA is calculated by dividing the total number of revenue-bearing GFA managed by the Top 100 Property Management Companies by the number of companies on the list of the Top 100 Property Management Companies.

In recent years, the revenue-bearing GFA and number of properties managed by the Top 100 Property Management Companies have increased rapidly as a result of swift urbanisation and continual growth in per capita disposable income in the PRC. Corresponding to the significant growth in revenue-bearing GFA and the number of properties managed, the average revenue of the Top 100 Property Management Companies soared to RMB886.2 million in 2018 from RMB357.3 million in 2014, representing a CAGR of 25.5%.

The following chart sets out the revenue-bearing GFA per capita of the Top 100 Property Management Companies for the years indicated:



Source: CIA

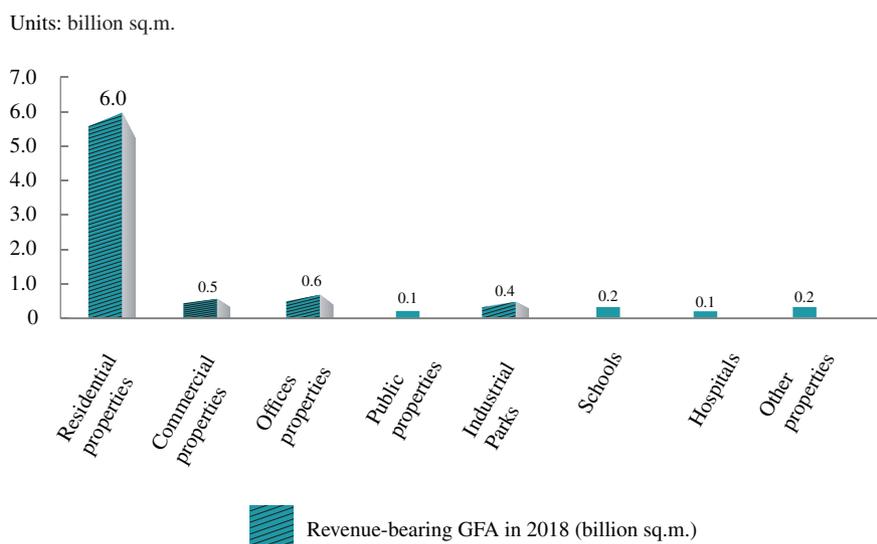
Note: Revenue – bearing GFA per capita is calculated by dividing the total number of revenue-bearing GFA managed by the Top 100 Property Management Companies by the total number of employees who managed such revenue-bearing GFA.

INDUSTRY OVERVIEW

The revenue-bearing GFA per capita managed by the Top 100 Property Management Companies increased gradually to 6,990.9 sq.m. in 2018 from 3,273.0 sq.m. in 2014, representing a CAGR of 20.9%.

Types of properties managed

The following chart sets out the revenue-bearing GFA of the Top 100 Property Management Companies by property type in 2018:



Source: CIA

Residential properties account for 73.9% of the total revenue-bearing GFA of the Top 100 Property Management Companies in 2018 as a result of their aggressive efforts to improve the quality and efficiency of their services in relation to residential properties. On the other hand, the Top 100 Property Management Companies have also sought to diversify the types of properties they manage through mergers and acquisitions. The total revenue-bearing GFA for non-residential properties of the Top 100 Property Management Companies has increased to 2.1 billion sq.m. in 2018 from 1.9 billion sq.m. in 2017.

Relationship with property developers

A majority of the Top 100 Property Management Companies in the PRC have their parent companies or controlling shareholders engaging in property development business. Out of the 220 companies comprising the Top 100 Property Management Companies for 2018, 167 of them manage properties developed by property developers which were their related parties, and the revenue-bearing GFA of such properties accounted for approximately 50.0% of such property management companies' total revenue-bearing GFA in 2018.

Historical Price Trends

Property management fees

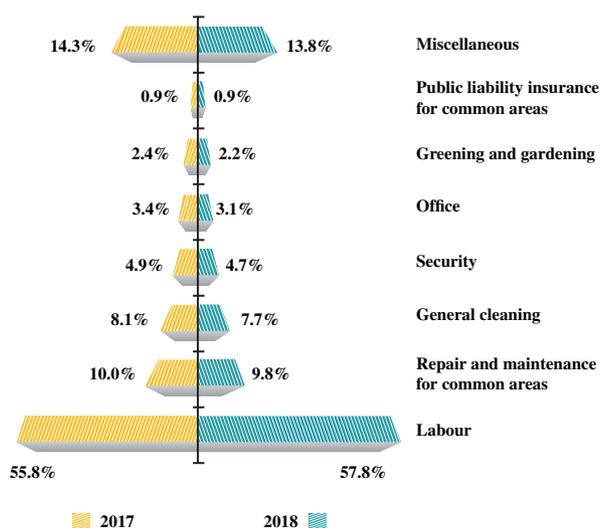
According to CIA, the average property management fees for residential properties remained relatively stable from 2015 to 2018. The average property management fee charged by the Top 100 Property Management Companies remained at approximately RMB4.3 per

INDUSTRY OVERVIEW

sq.m. per month from 2015 to 2018. Moreover, the average property management fee collection rate and the renewal rate of property management services of the Top 100 Management Companies have increased to 93.8% and 98.3% in 2018 respectively.

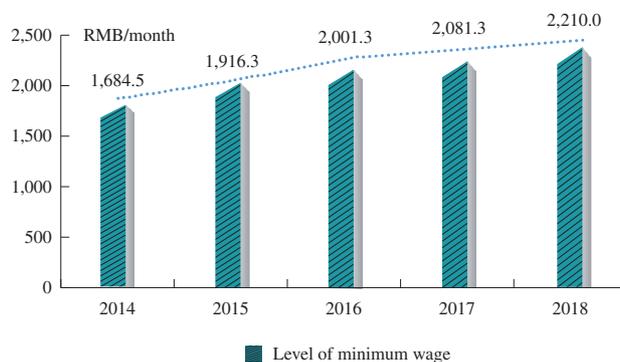
Labour costs

Labour costs are the largest component of costs among the Top 100 Property Management Companies, which accounted for 55.8% and 57.8% of the total costs of the Top 100 Property Management Companies in 2017 and 2018 respectively. The Top 100 Property Management Companies are faced with increasing labour costs pressure as a result of the rise of minimum wage level in major cities of the PRC and the number of staff employed. Other costs include general cleaning, greening and gardening, security, repair and maintenance. The following chart sets out the costs structure of the Top 100 Property Management Companies for the years indicated:



Source: CIA

The property management industry requires a large amount of labour for delivering cleaning, gardening, repair, maintenance and security services. The following chart sets out the level of minimum wage in four major cities of the PRC (Beijing, Shanghai, Guangzhou and Shenzhen) for the years indicated:



Source: CIA

INDUSTRY OVERVIEW

Industry Growth Drivers

According to CIA, the growth of the property management industry in the PRC depends on the following key drivers:

- *Rapid urbanisation and increasing per capita disposable income.* The levels of urbanisation and per capita disposable income in the PRC have increased significantly in recent years and have facilitated the growth of the property management industry. According to CIA, the urbanisation rate (being the projected average rate of change of the size of the urban population over the given period of time) in the PRC increased from 33.4% in 1998 to 59.6% in 2018. The PRC property management industry is expected to continue to grow in tandem with such rising level of urbanisation. Moreover, according to CIA, the PRC's rapid economic growth has spurred continuous growth in the per capita disposable income for urban population which increased to RMB39,251.0 in 2018, representing a CAGR of 8.2% from 2013 to 2018. PRC consumers increasingly demand better living conditions and high-quality property management services, which is another underlying driver for the growth of the PRC property management industry.
- *Development of commodity properties.* Following the rapid urbanisation and continuous growth in per capita disposable income, the supply of commodity properties (being residential properties developed for sale) also surged in the PRC. According to CIA, the total GFA of commodity properties developed in the PRC remained stable with 1,000 million sq.m. or above throughout 2013 to 2018. The total investment in property development in the PRC has also surged to RMB12.0 trillion in 2018. The growth in the property development market in the PRC offers ample opportunities for property management companies to expand their businesses in the future.
- *Favourable policies.* The promulgation of the *Provisions on Property Management* (《物業管理條例》) in June 2003 by the State Council and amended in February 2016 marked as a milestone for the regulatory framework for the property management industry. Subsequently, a series of favourable policies supporting the development of the property management industry have come into effect, including but not limited to the *Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services* (《國家發展改革委關於放開部分服務價格意見的通知》), the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》) and the Notice on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《關於做好取消物業服務企業資質核定相關工作的通知》). These laws and policies jointly create and will continue to improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC. For further details, please refer to the section headed “Regulatory Overview – Regulations on Property Management Service and Other Related Services” in this prospectus.
- *Access to the PRC and Hong Kong capital markets.* The PRC authorities promulgated several laws and policies, including the *Several Opinions on Further Regulating the Exercise of Issuance Examination Power* (《關於進一步規範發行審核權力運行的若干意見》) and the *Several Opinions of the China Securities Regulatory Commission on Further Promoting the Development of the National Equities Exchange and Quotations* (《關於進一步推進全國中小企業股份轉讓系統發展的若干意見》) promulgated by the CSRC in 2015. These laws and policies created a supportive environment for property management companies to raise funds through the listing of their shares on the stock exchanges of the PRC. Furthermore,

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Hong Kong capital market renders another avenue for property management companies to raise funds. Increased access to the capital markets in the PRC and Hong Kong provides property management companies with funds for future development.

COMPETITION

Entry Barriers

According to CIA, entry barriers for the property management industry in the PRC mainly include:

- *Specialisation of operations and management.* Different types of properties require different services and standards, and property management companies servicing certain type of properties may not be capable of servicing other types of properties in which they have no experience. In order to better control costs and maintain service quality, standardised and automated operation models are required by properties management companies to improve their capacities to manage more properties. Large-scale property management companies have more resources than new entrants to invest in standardisation, digitalisation and smart management of their operations.
- *Talent and technology.* With the prevalent adoption of the internet and other technologies, high quality management personnel and professionals in the property management industry are increasingly sought after. Both recruiting and retaining high quality professional employees are considered as main hurdles for new entrants. Moreover, with the application of big data and the internet in the property management industry, property management service providers have been developing innovative business models and non-traditional value-added services. The role played by both professionals and technology in the property management industry is becoming increasingly important.
- *Capital.* Increased amount of capital is required with the prevalent adoption and development of smart management in the property management industry. In order to compete with existing property management companies, new entrants have to inject large amount of funds into the development of information technologies to achieve digitalisation and modernisation of property management services.
- *Brand.* With the improvement of the overall service quality in the property management industry and increasingly intensified competition, customers have higher expectations on the quality of property management services. Well-established property management companies which have built up their reputation and brand image through decades of services are endorsed by customers as the guarantees of high quality services. In contrast, new entrants, without an established brand, face difficulty in penetrating into the market.

Competitive Landscape

The property management industry is fragmented and competitive in the PRC with approximately 118,000 property management companies operating in the industry in 2017, according to the CIA. Major property management companies in China have experienced a steady improvement in profitability due to an increase in revenue-bearing GFA as well as effective cost control measures. Key market players in the property management industry in the PRC include Country Garden Holdings Company Limited (碧桂園控股有限公司) and Greentown Service Group Co. Limited (綠城服務集團有限公司), and their respective market shares in terms of revenue-bearing GFA were approximately 0.9% and 0.8% in 2019. We primarily compete against the other Top 100 Property Management Companies. According to CIA, the market share of the Top 100 Property Management Companies was approximately 38.9% in terms of revenue-bearing GFA, and our market share was approximately 0.03% in

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2018. We ranked the 44th among the 2019 Top 100 Property Management Companies in the PRC compiled by CIA. The ranking is determined by CIA based on the evaluations of management scale, operational performance, service quality, growth potential and social responsibility of each company.

The Top 100 Property Management Companies are faced with different kinds of threats and challenges. Customers have higher expectations require property management companies to provide better quality, professionalised and standardised services. Furthermore, property management companies are facing rising cost pressure. Competition may also intensify as our competitors expand their service offerings or as new competitors enter into our existing or new markets.

The internet and smart management systems are conducive to the development of the Top 100 Property Management Companies. Through the internet, property management companies are able to provide new kinds services such as e-commerce. The emergence of smart management systems enables property management companies to improve their quality and efficiency of services, thereby increase customers' satisfaction. Moreover, there exists market potential in providing property management services to non-residential properties such as commercial properties, offices properties, school and hospitals.

Competitive Strengths

Recent enthusiasm in the PRC property market has stimulated the growth of property developers and their affiliated property management companies. Hevol Real Estate Group's growth into a reputable property developer provides a strong foundation for our own development. We are able to rely on Hevol Real Estate Group as natural sources of business opportunities, which allows us to expand our revenue-bearing GFA.

While we are able to enjoy the support of affiliates, we are also capable of searching for and taking advantage of market opportunities independently. Our total revenue-bearing GFA for property development projects of third-party developers increased to approximately 470,000 sq.m. in 2018 from approximately 151,000 sq.m. in 2015. Furthermore, we experienced steady growth and advancement in terms of revenue-bearing GFA, which amounted to 5.4 million sq.m., 5.9 million sq.m. and 6.4 million sq.m. as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

Our other key competitive strengths include the followings: (i) we have a consistently improving market position; (ii) we have developed our property management portfolio and replicated our business model in target cities; (iii) we offer comprehensive community-related services and property developer-related services which enable us to diversify our service offerings and improve customer loyalty to our business; (iv) we can consistently provide high quality services and generate sustainable profits by implementing standardisation and smart management of our service process; and (v) we have an experienced professional management team and effective human resources system. Please refer to the section headed "Business – Competitive Strengths" in this prospectus for further details.

DIRECTORS' CONFIRMATION

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

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REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) (“SCNPC”) on 29 December 1993 and came into effect on 1 July 1994. The Company Law of the PRC was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 (the latest revision became effective on 1 March 2014). The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practises, taxation and labour matters of foreign invested companies are regulated by, in the case of a wholly foreign-owned enterprise (“WFOE”), the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 by the National People's Congress of the PRC (全國人民代表大會) (“NPC”) and amended on 31 October 2000 and 3 September 2016 by the SCNPC (the latest revision became effective on 1 October 2016), and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economy and amended by the State Council on 12 April 2001 and 19 February 2014 (the latest revision became effective on 1 March 2014). Pursuant to the Wholly Foreign-owned Enterprises Law and its implementation, to establish a WFOE, an investor shall make an application to and seek the prior approval from the Ministry of Commerce of the PRC (中華人民共和國商務部) (“MOFCOM”) or the competent regional commercial bureau, so as to the changes of any achieved approval or the status of such wholly foreign-owned enterprises.

Pursuant to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated on 8 October 2016 and amended on 30 July 2017 and 29 June 2018 (the latest version became effective on 30 June 2018), provide that the establishment of a WFOE does not involve the implementation of special access administrative measures prescribed by the state, the former approval items as stipulated by foreign investment laws and regulations, including those as described above, such as establishing a WFOE, a separation, merger or other major change, are subject to record-filing management only.

The Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, categorises all foreign-invested projects into encouraged, permitted, restricted and prohibited projects. The Catalogue for the Guidance of Foreign Investment Industries (《外商

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投資產業指導目錄》) lists the categories of encouraged, restricted, and prohibited foreign-invested projects, those not listed are permitted foreign-invested projects. The current effective Catalogue for the Guidance of Foreign Investment Industries was jointly promulgated by MOFCOM and the NDRC on 28 June 2017 and became effective on the same day. According to the Catalogue, the property management service does not fall into the restricted and prohibited categories, so it shall be classified as belonging to permitted foreign-invested projects.

Foreign-invested enterprises may also invest and establish subsidiaries in the PRC, which should comply with the Company Law of the PRC, the Interim Provisions on Investment by Foreign-Invested Enterprises in China (《關於外商投資企業境內投資的暫行規定》) promulgated by the MOFCOM and the SAIC on 25 July 2000 and other relevant laws and regulations.

REGULATIONS ON PROPERTY MANAGEMENT SERVICE AND OTHER RELATED SERVICES

Regulations on the Qualification of Property Management Companies

According to the Regulations on Property Management (《物業管理條例》), which was promulgated by the State Council on 8 June 2003, came into effect on 1 September 2003, and was amended on 26 August 2007, 6 February 2016 and 19 March 2018, a system of joint incentive for honesty and joint punishment for dishonesty shall be improved in the supervision of property management enterprises by the State Council's construction administration department together with other relevant departments, to strengthen the credit management of the industry.

According to Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (the "MOHURD") on 17 March 2004, came into effect on 1 May 2004, was amended on 26 November 2007 and 4 May 2015, and was abolished on 8 March 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise were classified into first, second and third grades.

According to Decision of the State Council on Cancelling the Third Batch of Administrative Licencing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on 12 January 2017, the examination and approval of second grade or lower qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Cancelling a Group of Administrative Licencing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on 22 September 2017, the examination and approval of first grade qualification of property management enterprises were cancelled.

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According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》), which was promulgated by the General Office of MOHURD on 15 December 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects. The real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal.

Regulations on Appointing the Property Management Enterprise

According to the Property Law of the PRC (《物權法》), which was promulgated by the NPC on 16 March 2007 and came into effect on 1 October 2007, property owners can either manage the buildings and the affixtures by themselves or entrust a property management company or other managers. Property owners are entitled to replace the property management company or other managers employed by the developer. Property management companies or other managers should manage the buildings and the affixtures within the building zone in accordance with the commission of the owners, subject to supervision by the owners.

According to the Regulations on Property Management, the selecting, employing and dismissing of property management enterprise shall be subject to the approval by owners who possess exclusive areas accounting for more than half of the total area of buildings and owners who account for more than half of the total number of owners.

Before the engagement of a property management company by property owners or the property owners' general meeting, a written preliminary service contract should be entered into between the construction institutions (for example, a property developer) and the selected and engaged property management company. The construction institutions shall, before the sale of property, show property buyers the interim management rules and agreements, along with explanations. The preliminary service contract will be terminated upon the coming into effect of a property management contract entered into between the property owners' committee and the property management company.

According to 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》), which was promulgated by the MOHURD on 26 June 2003 and came into effect on 1 September 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the property owners or the property owners' general meeting select a property management enterprise at its own discretion. The construction entity of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through bid-invitation and bidding.

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The bid inviter shall establish tender evaluation committee consisting of an odd number of no less than five members, among which the experts in property management other than the representatives of the bid inviter shall be no less than two-thirds of total members.

The property management experts shall be confirmed by the means of random sampling from the expert name list set up by the administrative departments of real estate, and person of interest with the bidder shall not be a member of the Bidding Evaluation Commission of the relevant project.

In cases where there are no more than three bidders or the residence scale is relatively small, the construction entity may select the property management enterprise with corresponding qualifications through agreement upon approval by the administrative department of real estate of the people's government of the district or county of the place where the property is located.

For newly built commodity apartments, the works shall be completed 30 days before they are put on sale. For commodity apartments that are selling in advance, the works shall be completed before the acquisition of Licence for Advance Sale of Commodity Apartments. For newly built real estates that are not for sale, the works shall be completed 90 days before they are delivered for use.

Regulations on the fees charged by Property Management Enterprise

According to Administrative Measures for Property Service Charges (《物業服務收費管理辦法》), which was jointly promulgated by the NDRC and the MOHURD on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge property service fees from property owners for repairing, maintaining and managing houses as well as their accompanying facilities and equipment and relevant sites, and ensuring the sanitation and order of relevant areas according to relevant property management contracts.

Property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall take into account the unique nature and characteristics of different property and be priced under the government's guidance and market regulation respectively. In what way the charges are priced shall be determined by competent price departments under the people's governments of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate.

As agreed between the property owners and property management enterprise, the fees for property management services can be charged either as a lump sum of all property management fees collected, in which case property owners pay fixed property management fees to property management enterprise who shall enjoy or assume all the profits or losses as its own risk, or a fixed percentage of property management fees collected, in which case property management enterprise may collect its service fees 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

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surplus or shortage. Property management enterprises shall, pursuant to the applicable rules of the competent price departments under governments, clearly mark the prices of property services, and publish in a prominent position in areas under their management information about services, criteria of services, charging items, charging criteria, etc.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《物業服務收費明碼標價規定》), which was promulgated by the NDRC and the MOHURD on 19 July 2004 and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (including the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there's any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Measures on Supervision over Pricing of Property Management Services (Trial) (《物業服務定價成本監審辦法(試行)》), which was promulgated by the NDRC and the MOHURD on 10 September 2007 and came into effect on 1 October 2007, the pricing cost of property management services should be the average cost of community property services as verified by the competent price administration department of the people's government. The competent price administration department of the government is responsible for the supervision over and investigation of the pricing of property management services with assistance from the competent property administration department. The pricing cost of property services should fairly represent the composition of staff costs, the daily operation and maintenance costs of the common area and facilities of the property, gardening maintenance costs, sanitation and hygiene costs, security maintenance costs, insurance costs for the common areas and facilities (including liability insurance), office expenses, management costs apportionment, depreciation of fixed assets and other costs agreed to by the property owners. The assessment of the pricing cost of property services should base on the annual financial and accounting reports audited by the certified public accounting firm, source document, account book or the authentic, and complete and valid cost materials provided by the property management enterprise.

According to the Circular of NDRC on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), or, the Circular on Relaxing Price Controls, which was promulgated by the NDRC and came into effect on 17 December 2014, price control on property services of non-government-supported houses was cancelled, including fees charged by a property management enterprise from property owners for the maintenance, conservation and management of non-government supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported

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houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established.

On 15 December 2015, the NDRC, the MOHURD, and the Ministry of Transport of the PRC jointly issued the Guiding Opinions on Further Improving the Policies for Motor Vehicle Parking Service Charge (《關於進一步完善機動車停放服務收費政策的指導意見》), aiming to perfect a parking service charge mechanism with the price mainly determined by the market, promote a more systemised and scientific government pricing administrative system, regulate the parking service charge and perfect the supporting supervision measures.

Judicial Interpretation

According to Interpretation of the Supreme People's Court on Several Issues concerning the Specific Application of Law in Hearing Cases of Property Service Disputes (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》), which was promulgated by Supreme People's Court on 15 May 2009 and came into effect on 1 October 2009, the preliminary property service contract legally entered into by a construction entity and a property management enterprise and the property service contract entered into by the property owners' committee and the property management enterprise lawfully elected by the property owners' committee shall be binding on the owners. Where any owner pleads against such contract as he/she is not the contract party thereto, it shall not be supported by the people's court.

Furthermore, the court shall support if property owners' committee or property owners appealed for the court to confirm the clauses of property service contracts which exempt the responsibility of property management enterprise, and aggravate the responsibility or exempt the rights of property owners' committee or property owners are invalid.

The court shall support when property owner raises a plea on the ground of illicit charges because the property service provider, in breach of the property service contract or in violation of laws, regulations or departmental rules, extends the scope of charging, raises the charging rate, or makes repeated charging on its own accord.

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REGULATIONS ON M&A RULES

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, the SAT, State Administration for Market Regulation, the CSRC and the SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “M&A Rules”), which took into effect on 8 September 2006 and was amended on 22 June 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law (《中華人民共和國公司法》), the Foreign Invested Enterprise Law (《中華人民共和國外資企業法》), and the Implementation Rules of the Foreign Invested Enterprise Law (《外資企業法實施細則》). Under these laws and regulations, WFOE in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, WFOE in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. WFOE may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administrative Regulations (《外匯管理條例》) promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and amended on 14 January 1997 and 5 August 2008, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE or its local counterparts is obtained in advance.

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On 30 March 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular No.19**”), which took into effect on 1 June 2015. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular No. 16**”) on 9 June 2016, which, among other things, amend certain provisions of the Circular No. 19. According to the Circular No. 19 and the Circular No. 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the Circular No. 19 or Circular No. 16 could result in administrative penalties.

On 26 January 2017, the SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**Circular No. 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to the Circular No. 3, domestic entities shall make detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On 4 July 2014, the SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents’ Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”) for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under Circular No. 37, (1) before the PRC residents or entities conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (2) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

SAFE further promulgated Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理

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政策的通知》) (the “**Circular No. 13**”) on 13 February 2015, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or Affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with local qualified banks in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC laws for evasion of foreign exchange controls.

REGULATION ON INTELLECTUAL PROPERTY

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982 and subsequently amended on February 1993, 27 October 2001 and 30 August 2013 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may licence its registered trademark to another party by entering into a trademark licence agreement. Trademark licence agreements must be filed with the Trademark Office to be recorded, while the non-filing of the licencing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. Trademark licence agreements must be filed with the Trademark Office for record.

The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

REGULATORY OVERVIEW

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) promulgated by MIIT on 5 November 2004 and took into effect on 20 December 2004, which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by MIIT on 24 August 2017 and took into effect on 1 November 2017, and the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) promulgated by China Internet Network Information Centre and took into effect on 29 May 2012. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017, and the EIT Implementation Rules, which was promulgated by the State Council of the PRC on 6 December 2007 and became effective on 1 January 2008, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25%. According to the Enterprise Income Tax of the PRC, enterprises are classified as “resident enterprises” and “non-resident enterprises”. Pursuant to the EIT Law and EIT Implementation Rules, PRC resident enterprises typically pay an EIT at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an EIT in connection with their income from the PRC at the tax rate of 10% and enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located in the PRC are considered as resident enterprises, and will generally be subject to EIT at the rate of 25% of their global income. The EIT Implementation Rules defines “de facto management bodies” as “establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties” of the enterprise. If an enterprise is considered as a PRC tax resident enterprise under the above definition, then its global income will be subject to EIT at the rate of 25%.

According to the Announcement of the State Administration of Taxation on Issuing the Revised Measures for Handling Enterprise Income Tax Preferences (《企業所得稅優惠政策事項辦理辦法》), which was promulgated by the SAT on 25 April 2018 and came into effect on the same date, enterprises enjoying enterprise income tax preferences shall adopt the handling methods of “making independent judgement, declaring for enjoyment and retaining the relevant materials for future reference”. An enterprise shall, according to its operating condition and related tax provisions, independently determine whether it satisfies the

REGULATORY OVERVIEW

conditions required for enterprise income tax preferences. Those who meet the conditions may independently calculate the tax deductions or exemptions according to the time listed in the Catalogue for the Administration of Enterprise Income Tax Preferences (Revision 2017) (《企業所得稅優惠事項管理目錄(2017年版)》), and enjoy tax incentives by filing enterprise income tax returns. Meanwhile, they shall, in accordance with the relevant provisions, collect and retain the relevant materials for future reference.

Dividends Withholding Tax

According to the EIT Law, dividends paid by foreign-invested companies to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) promulgated on 21 August 2006, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%.

However, based on the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated and took into effect on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Based on the Notice of the State Administration of Taxation on the Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於認定稅收協定中“受益所有人”有關問題的公告》), which was promulgated by SAT on 3 February 2018 and came into effect on 1 April 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognised as an beneficial owner to enjoy tax treaty benefits.

REGULATORY OVERVIEW

Value-added Tax and Business Tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 5 November 2008, 6 February 2016, 19 November 2017, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (“VAT”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

Since 1 January 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. In accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) which was issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016 and came into effect on 1 May 2016, the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax and are subject to the VAT tax rate of 6%.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On 10 December 2009, the SAT issued the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**Circular No. 698**”). By promulgating and implementing Circular No. 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular No. 7**”) on 3 February 2015, to supersede existing provisions in relation to the indirect transfer as set forth in Circular No. 698. Circular No. 7 introduces a new tax regime that is significantly different from that under Circular No. 698. Public Notice extends its tax jurisdiction to capture not only indirect transfer as set forth under Circular No. 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. Circular No. 7 also provides clearer criteria than Circular No. 698 on how to assess reasonable commercial purposes and introduces safe harbour scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing

REGULATORY OVERVIEW

arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the Enterprise Income Tax Law of the PRC, be recognised by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

On 17 October 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**SAT Circular No. 37**”), which came into force and replace Circular No. 698 and certain other regulations on 1 December 2017. SAT Circular No. 37 dose, among other things, simplify procedures of withholding and payment of income tax levied on non-resident enterprises.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labour Contract Law

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994, took into effect on 1 January 1995 and amended on 27 August 2009, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, took into effect on 1 January 2008 and amended on 28 December 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on 18 September 2008, labour relationships between employers and employees must be executed in written form. Where a labour relationship has already been established but no formal contract has been made, a written labour contract shall be entered into within one month from the date when the employee begins to work. Wages may not be lower than the local minimum wage. Employers must establish a system for labour safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

Pursuant to the Interim Administrative Measures for Administration of Social Insurance Registration (《社會保險登記管理暫行辦法》) promulgated by the Ministry of Labour and Social Security of the PRC (Repealed) on 19 March 1999 and came into effect on the same day, the enterprises obliged to provide their employees in the PRC with welfare schemes in accordance with the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) shall make social insurance registration and obtain the registration certificate.

According to Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) came into effect on 22 January 1999, Regulations on Work Injury Insurance (《工傷保險條例》) implemented on 1

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January 2004 and amended in 20 December 2010, Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999 and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on 3 April 1999, and was amended on 24 March 2002, enterprises in the PRC must register with the competent managing centre for housing provident funds and upon the examination by such centre, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. Employers that fail to process housing provident fund payments may be ordered by the competent managing center for housing provident fund to pay the unpaid amount within a certain period. If employers fail to act accordingly, an application of compulsory enforcement can be made to the people's court of the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our history dates back to April 2002 when our first operating subsidiary, Beijing Hevol (then known as Beijing Donghe Tianyuan Property Management Company Limited (北京東和田園物業管理有限責任公司) (“**Donghe Tianyuan**”)), was established in the PRC as a limited liability company with a registered capital of RMB1,000,000. At the date of its establishment, the equity interest of Beijing Hevol was held as to 70% by Mr. Li Qingqing (李清清) and 30% by Mr. Yang Jiake (楊家柯) (“**Mr. Yang**”), both as nominee shareholders for Mr. Liu. Apart from being our founder and ultimate Controlling Shareholder, Mr. Liu is a non-executive Director and the chairman of the Board. Mr. Li Qingqing (李清清) was the legal representative (法定代表人) of Donghe Tianyuan at that time and Mr. Yang is Mr. Liu’s uncle.

In March 2001, Mr. Liu, as the 80% majority shareholder, established Hevol Investment (then known as Beijing Donghe Real Estate Development Company Limited (北京東和房地產開發有限公司)) which, as the 60% majority shareholder, established Hevol Real Estate (then known as Donghe Jiaye). Since their incorporation, Hevol Investment and Hevol Real Estate have been controlled by Mr. Liu. With various subsidiaries established in different places of PRC in the following years, Hevol Real Estate Group explored its business mainly in property development and investment.

In addition to his development of property development and investment businesses, Mr. Liu, mainly through Hevol Real Estate and Beijing Hevol, established and invested in our other operating subsidiaries to carry out our property management service businesses. During the Track Record Period, the properties under our management were developed principally by Hevol Real Estate Group.

Through more than a decade’s devoted efforts to property management services, we have expanded our services to various major cities, including Beijing, Guiyang, Chongqing, Tianjin, Shenyang, Tangshan, Chengdu, Sanya, Changsha, Harbin and Dandong. We have obtained the ISO 9001:2008 certification in recognition of our quality management in property management operation. In 2009, Beijing Hevol has been recognised as a property management company of first class quality (一級資質認證). For the consecutive three years from 2017 to 2019, we ranked the 58th, 48th and 44th respectively among the Top 100 Property Service Companies (物業服務綜合實力百強企業) by the China Index Academy.

We endeavoured to tap into the capital market by first seeking listing on the NEEQ. To prepare for the listing on the NEEQ, we went through a series of restructuring to inject our property management businesses to Beijing Hongsheng, our predecessor company. Shares of Beijing Hongsheng became listed on the NEEQ on 5 January 2016. Nonetheless, having considered better opportunities that can be offered by the Hong Kong capital market, we delisted Beijing Hongsheng from the NEEQ on 17 April 2018 to prepare for the entry into the Hong Kong capital market.

Major Developments and Milestones

The following table sets out the major developments and milestones of our Group:

<u>Year</u>	<u>Business activity</u>
2002	Beijing Hevol, our first operating subsidiary, was established under the name of Donghe Tianyuan.
2003	Beijing Hevol commenced providing property management services to Jiada Jiayuan (交大嘉園) and Caihong Yuan (彩虹園), being the first two property management projects under our management.
2006 to 2010	Guiyang Hevol, Chongqing Hevol and Tianjin Hevol were established and began providing property management services at their places of establishment, which marked our expansion to other major cities in China.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Business activity
2009	Beijing Hevol was recognised as a Property Management Company of First Class Quality (全國一級物業服務資質) and became a member of Beijing Property Management Association (北京市物業管理行業協會會員單位) and an executive council member of China Property Management Institute (中國物業管理協會常務理事單位).
2010	Beijing Hevol commenced providing property management services to the Sanatorium for Retired Cadres of People's Liberation Army General Political Department (中國人民解放軍總政治部離職幹部休養所) at Weigongcun (魏公村), Beijing, which was our first project obtained from an Independent Third Party property developer and also marked the expansion of our business into providing services to property types other than residential properties.
2012	We further penetrated into other major cities in southern China by establishing Hainan Hevol, Hunan Hehua and Chengdu Hevol in 2012.
2013	Beijing Hevol obtained ISO 9001:2008 and ISO 14001:2004 certifications in recognition of our quality services in property management. Beijing Hevol obtained OHSAS 18001:2007 certification in recognition of our occupational health and safety management in our property management operation.
2015	Beijing Hevol ranked the 85th among the Top 100 Property Management Companies of the year 2015 (2015物業管理綜合實力百強企業) by the China Property Management Institute (中國物業管理協會) and the China Index Academy and was recognised as one of China's Most Influential Property Management Enterprises of 2015 (2015年度中國物業管理最具品牌影響力企業) by "China Property Management" Magazine (《中國物業管理》雜誌社) and "Urban Development" Magazine Limited (《城市開發》雜誌社有限公司).
2016	Shares of Beijing Hongsheng became listed on the NEEQ. Beijing Hevol ranked the 68th among the Top 100 Property Management Companies of the year 2016 (2016物業管理綜合實力百強企業) by the China Index Academy and was recognised as one of China's Property Management Brand Value Enterprises (中國物業管理品牌價值企業) by "China Property Management" Magazine (《中國物業管理》雜誌社) and "Urban Development" Magazine Limited (《城市開發》雜誌社有限公司).
2017	Beijing Hevol ranked the 58th among the Top 100 Property Management Companies of the year 2017 (2017物業管理綜合實力百強企業) and obtained the upgraded ISO 9001 and ISO 14001 certifications in recognition of our quality services in property management.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Business activity</u>
2018	<p>Beijing Hevol commenced providing property management services to the Marshal Zhang's Mansion Museum (張氏帥府博物館), which is the first project obtained from an Independent Third Party developer in Shenyang, as well as the first project under the management of our Group the subject property of which is a public building. This museum is a National AAAA Level Scenic Spot (國家AAAA級旅遊景區) and a Major Historical and Cultural Site Protected at the National Level (全國重點文物保護單位).</p> <p>Beijing Hevol's ranking has risen to the 48th among the Top 100 Property Management Companies of the year 2018 (2018物業管理綜合實力百強企業).</p>
2019	<p>Beijing Hevol's ranking has risen to the 44th among the Top 100 Property Management Companies of the year 2019 (2019物業管理綜合實力百強企業).</p>

Corporate Development

As at the Latest Practicable Date, we had established a number of operating subsidiaries in the PRC to carry out our property management business. Our major subsidiaries comprise our intermediate holding company of all PRC operating subsidiaries, which contributes a substantial amount of our revenue. Details of our subsidiaries as at the Latest Practicable Date are set forth below:

Corporate development of our major operating subsidiaries

Beijing Hevol

At the time of its establishment in April 2002, Beijing Hevol was held as to 70% by Mr. Li Qingqing (李清清) and 30% by Mr. Yang, both as nominee shareholders for Mr. Liu.

After its establishment, Beijing Hevol completed increasing its registered capital from RMB1,000,000 to RMB5,000,000 on 14 June 2004. On 6 December 2007, the company changed its name from Donghe Tianyuan to Beijing Hevol.

On 7 June 2011, pursuant to Mr. Liu's instruction, Mr. Li Qingqing (李清清) entered into a transfer agreement with Hevol Real Estate (then known as Beijing Hevol Real Estate Company Limited (北京和泓置地有限公司) ("**Beijing Hevol Real Estate**")), pursuant to which Mr. Li Qingqing (李清清) transferred all his 70% equity interest in Beijing Hevol to Hevol Real Estate at nil consideration.

At the time of such transfer, Hevol Real Estate (then known as Beijing Hevol Real Estate) was held by Hevol Investment as to 80% and Shanghai Hengjiu as to 20%. At such time, (i) Hevol Investment was held by Mr. Liu as to 55% and Mr. Yang as to 45% as nominee for Mr. Liu; and (ii) Shanghai Hengjiu was held by Mr. Ma Wei (馬瑋) ("**Mr. Ma**") as to 40% and Ms. Lu Yan (陸豔) ("**Ms. Lu**") as to 60%, both as nominees for Mr. Liu. As a result Hevol Real Estate was a company controlled by Mr. Liu. Mr. Ma is Mr. Liu's brother-in-law while Ms. Lu is Mr. Liu's sister-in-law. For further details of such nominee arrangements, please refer to the paragraph headed "– Our History – Corporate Development – Subsequent Transfers of Equity Interests Among Shareholders" in this section below.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completing the registration of the transfer of Beijing Hevol's share capital from Mr. Li Qingqing (李清清) to Hevol Real Estate on 27 June 2011, the nominee arrangement between Mr. Li Qingqing (李清清) and Mr. Liu was terminated and the beneficial interest in 70% of the share capital of Beijing Hevol was correspondingly transferred from Mr. Liu to Hevol Real Estate. Beijing Hevol was held by Hevol Real Estate as to 70% and Mr. Yang as to 30% as nominee for Mr. Liu.

On 8 January 2014, Beijing Hevol increased its registered capital from RMB5,000,000 to RMB12,000,000. The additional registered capital of RMB7,000,000 was contributed by Hevol Real Estate. Following the capital increase, the share capital of Beijing Hevol was held by Hevol Real Estate as to 87.5% and Mr. Yang as to 12.5% as nominee for Mr. Liu.

On 5 September 2014, pursuant to Mr. Liu's instruction, Mr. Yang entered into a transfer agreement with Hevol Real Estate, pursuant to which Mr. Yang transferred 12.5% of the share capital in Beijing Hevol held by him as nominee for Mr. Liu to Hevol Real Estate at nil consideration. Upon completing the registration of such transfer on 23 September 2014, the nominee arrangement between Mr. Yang and Mr. Liu was terminated and the beneficial interest in 12.5% of the share capital of Beijing Hevol was correspondingly transferred from Mr. Liu to Hevol Real Estate. Beijing Hevol became a wholly-owned subsidiary of Hevol Real Estate.

On 27 May 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (then known as Beijing Rongxiang Aviation Investment Limited (北京戎翔航業投資有限公司) ("**Beijing Rongxiang**"), pursuant to which Hevol Real Estate transferred its 100% equity interest in Beijing Hevol to Beijing Hongsheng at a consideration of RMB12,000,000. Such consideration was determined with reference to the registered capital of Beijing Hevol. Upon completion of such transfer on 10 June 2015, Beijing Hevol became a wholly-owned subsidiary of Beijing Hongsheng.

As at the Latest Practicable Date, (i) Beijing Hevol had twelve branch companies and two wholly-owned subsidiaries, namely, Hainan Hevol and Guiyang Hevol; and (ii) Hainan Hevol had two branch companies.

Hainan Hevol

Hainan Hevol was established on 18 January 2012 in the PRC as a limited liability company under the name of Hainan Hevol Properties Management Limited (海南和泓物業服務有限公司), with a registered capital of RMB5,000,000. At the date of its establishment and as at the Latest Practicable Date, the entire equity interest of Hainan Hevol was held by Beijing Hevol. On 5 June 2014, Hainan Hevol changed its name to Hainan Hevol Hotel Property Services Company Limited (海南和泓酒店物業服務有限公司).

Guiyang Hevol

Guiyang Hevol was established on 9 November 2006 in the PRC as a limited liability company with a registered capital of RMB500,000. At the date of its establishment, the share capital of Guiyang Hevol was held by Mr. Li Dahua (李達華) as to 20% and Mr. Zhou Wei (周煒), our non-executive Director, as to 80% as nominee for Mr. Liu. Save as disclosed above, Mr. Li Dahua (李達華) does not have any relationship with our Group, our Directors and/or our Controlling Shareholders.

On 23 September 2008, Mr. Li Dahua (李達華) entered into an equity interest transfer agreement with Guizhou Hevol Investment Limited (貴州和泓投資有限公司) ("**Guizhou Hevol Investment**"), a subsidiary of Hevol Real Estate which was ultimately controlled by Mr. Liu, pursuant to which Mr. Li Dahua (李達華) transferred all his 20% equity interest in Guiyang Hevol to Guizhou Hevol Investment at a consideration of RMB100,000 which was determined with reference to the registered capital of Guiyang Hevol at that time.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 15 October 2008, pursuant to the instruction of Mr. Liu, Mr. Zhou Wei (周煒) entered into a transfer agreement with Beijing Hevol, pursuant to which Mr. Zhou Wei (周煒) transferred his 80% equity interest in Guiyang Hevol to Beijing Hevol which was also controlled by Mr. Liu, at nil consideration. The beneficial interest in the 80% share capital was correspondingly transferred from Mr. Liu to Beijing Hevol. Upon completion of such transfer on 29 October 2008, Guiyang Hevol was held by Beijing Hevol as to 80% and Guizhou Hevol Investment as to 20%.

On 2 June 2015, Guizhou Hevol Investment entered into an equity interest transfer agreement with Beijing Hevol, pursuant to which Guizhou Hevol Investment transferred its 20% equity interest of Guiyang Hevol to Beijing Hevol at a consideration of RMB100,000. Such consideration was determined with reference to the registered capital of Guiyang Hevol. Upon completion of such transfer on 19 June 2015, Guiyang Hevol became a wholly-owned subsidiary of Beijing Hevol.

Tianjin Hevol

Tianjin Hevol was established on 30 April 2008 in the PRC as a limited liability company with a registered capital of RMB1,000,000. At the date of its establishment, the equity interest of Tianjin Hevol was held by Hevol Real Estate (which was then under the name of Donghe Jiaye and was ultimately controlled by Mr. Liu) as to 80% and Beijing Hevol as to 20%.

On 12 September 2014, Beijing Hevol entered into an equity interest transfer agreement with Hevol Real Estate, pursuant to which Beijing Hevol transferred its 20% equity interest in Tianjin Hevol to Hevol Real Estate at nil consideration. Upon completion of such transfer on 22 September 2014, Tianjin Hevol became a wholly-owned subsidiary of Hevol Real Estate.

On 16 June 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (which was then under the name of Beijing Rongxiang), pursuant to which Hevol Real Estate transferred all its equity interest in Tianjin Hevol to Beijing Hongsheng at a consideration of RMB1,000,000. Such consideration was determined with reference to the registered capital of Tianjin Hevol. Upon completion of such transfer on 17 June 2015, Tianjin Hevol became a wholly-owned subsidiary of Beijing Hongsheng.

Tangshan Hevol

Tangshan Hevol was established on 11 January 2011 in the PRC as a limited liability company with a registered capital of RMB500,000. At the date of its establishment, the entire equity interest of Tangshan Hevol was held by Beijing Hevol.

On 2 September 2014, Beijing Hevol entered into an equity interest transfer agreement with Hevol Real Estate, pursuant to which Beijing Hevol transferred all its equity interest in Tangshan Hevol to Hevol Real Estate at nil consideration. Upon completion of such transfer on 18 September 2014, Tangshan Hevol became a wholly-owned subsidiary of Hevol Real Estate.

On 27 May 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (which was then under the name of Beijing Rongxiang), pursuant to which Hevol Real Estate transferred all its equity interest in Tangshan Hevol to Beijing Hongsheng at a consideration of RMB500,000. Such consideration was determined with reference to the registered capital of Tangshan Hevol. Upon completion of such transfer on 10 June 2015, Tangshan Hevol became a wholly-owned subsidiary of Beijing Hongsheng.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Chongqing Hevol

Chongqing Hevol, then known as Chongqing Qishan Property Management Limited (重慶祺山物業管理有限公司), was established on 22 June 2007 in the PRC as a limited liability company with a registered capital of RMB3,000,000. At the date of its establishment, the equity interest of Chongqing Hevol was held as to 50% and 50% by Ms. Hu Min (胡敏) and Ms. Hu, both as nominees for Hevol Real Estate. Ms. Hu is our executive Director and Ms. Hu Min (胡敏) is our employee who has been the accounting manager of Chongqing Hevol since 22 June 2007. On 3 December 2007, the company changed its name to Chongqing Hevol Property Services Company Limited (重慶和泓物業服務有限公司).

On 5 September 2014, pursuant to Hevol Real Estate's instruction, Ms. Hu Min (胡敏) and Ms. Hu each entered into a transfer agreement with Hevol Real Estate, under which they transferred all their equity interests in Chongqing Hevol to Hevol Real Estate at nil consideration. Upon completion of such transfers on 24 September 2014, such nominee arrangements were terminated and Chongqing Hevol became a wholly-owned subsidiary of Hevol Real Estate.

On 2 June 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (which at that time was under the name of Beijing Rongxiang), pursuant to which Hevol Real Estate transferred all its equity interest in Chongqing Hevol to Beijing Hongsheng at a consideration of RMB3,000,000. Such consideration was determined with reference to the registered capital of Chongqing Hevol. Upon completion of such transfer on 29 June 2015, Chongqing Hevol became a wholly-owned subsidiary of Beijing Hongsheng.

Shenyang Hevol

Shenyang Hevol was established on 16 August 2010 in the PRC as a limited liability company with a registered capital of RMB1,000,000. At the date of its establishment, the equity interest of Shenyang Hevol was held by Hevol Real Estate (then known as Beijing Hevol Real Estate) as to 60% and Beijing Hevol as to 40%.

On 22 September 2014, Beijing Hevol entered into an equity interest transfer agreement with Hevol Real Estate, pursuant to which Beijing Hevol transferred its 40% equity interest in Shenyang Hevol to Hevol Real Estate at nil consideration. Upon completion of such transfer on 23 September 2014, Shenyang Hevol became a wholly-owned subsidiary of Hevol Real Estate.

On 8 June 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (then known as Beijing Rongxiang), pursuant to which Hevol Real Estate transferred all its equity interest in Shenyang Hevol to Beijing Hongsheng at a consideration of RMB1,000,000. Such consideration was determined with reference to the registered capital of Shenyang Hevol. Upon completion of such transfer on 8 June 2015, Shenyang Hevol became a wholly-owned subsidiary of Beijing Hongsheng.

Hunan Hehua

Hunan Hehua was established on 26 November 2012 in the PRC as a limited liability company with a registered capital of RMB2,000,000. At the date of its establishment, the entire equity interest of Hunan Hehua was held by Beijing Hevol.

On 14 September 2014, Beijing Hevol entered into an equity interest transfer agreement with Hevol Real Estate, pursuant to which Beijing Hevol transferred all its equity interest in Hunan Hehua to Hevol Real Estate at nil consideration. Upon completion of such transfer on 22 September 2014, Hunan Hehua became a wholly-owned subsidiary of Hevol Real Estate.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 15 June 2015, Hevol Real Estate entered into an equity interest transfer agreement with Beijing Hongsheng (then known as Beijing Rongxiang), pursuant to which Hevol Real Estate transferred all its equity interest in Hunan Hehua to Beijing Hongsheng at a consideration of RMB2,000,000. Such consideration was determined with reference to the registered capital of Hunan Hehua. Upon completion of such transfer on 15 June 2015, Hunan Hehua became a wholly-owned subsidiary of Beijing Hongsheng.

Beijing Hongsheng and prior listing on the NEEQ

Early history

On 13 January 2006, Beijing Hongsheng was established as a limited liability company in the PRC under the name of Beijing Rongxiang with a registered capital of RMB29,000,000. At the date of its establishment, Beijing Hongsheng was held by Hevol Real Estate (which was then under the name of Donghe Jiaye and was ultimately controlled by Mr. Liu) as to 55% and Donghe Weiye as to 45%. Donghe Weiye was a subsidiary of Hevol Real Estate and ultimately controlled by Mr. Liu. At the time of its establishment, Beijing Hongsheng was ultimately controlled by Mr. Liu. It was an investment holding company and did not commence any business operation.

On 10 July 2007, Hevol Real Estate (then known as Donghe Jiaye) entered into an equity interest transfer agreement with Hevol Investment (then known as Beijing Donghe Zhiye Investment Limited (北京東和置業投資有限公司) (“**Donghe Zhiye**”)), pursuant to which Hevol Real Estate transferred its 55% equity interest in Beijing Hongsheng to Hevol Investment at nil consideration. Upon completion of such transfer on 12 July 2007, Beijing Hongsheng was owned by Hevol Investment as to 55% and Donghe Weiye as to 45%.

On 17 May 2011, Donghe Weiye entered into an equity interest transfer agreement with Hevol Real Estate (then known as Beijing Hevol Real Estate), pursuant to which Donghe Weiye transferred its 45% equity interest in Beijing Hongsheng to Hevol Real Estate at a consideration of RMB13,050,000. The consideration was determined with reference to the registered capital of Beijing Hongsheng. Upon completion of such transfer on 20 May 2011, Beijing Hongsheng was owned by Hevol Investment as to 55% and Hevol Real Estate as to 45%.

Pursuant to the shareholders’ resolutions passed on 15 June 2015, Hevol Real Estate and Hevol Investment contributed a total of RMB5,000,000 to the registered capital of Beijing Hongsheng in proportion to their respective shareholding in Beijing Hongsheng. Of such RMB5,000,000, RMB1,000,000 was accounted for registered capital and RMB4,000,000 was accounted for capital reserve. As a result, the registered capital of Beijing Hongsheng was increased from RMB29,000,000 to RMB30,000,000. The relevant filings were completed on 17 June 2015.

Acquisition of our operating subsidiaries by Beijing Hongsheng

In order to consolidate our property management business, we injected our major operating subsidiaries to Beijing Hongsheng through the transfer of the entire equity interest of Beijing Hevol, Tianjin Hevol, Chongqing Hevol, Tangshan Hevol, Shengyang Hevol and Hunan Hehua during the period from May to June in 2015. For details of such transfers, please refer to the disclosure in this section in respect of each such company. In order to expand our financial resources, upon completion of such transfer, Beijing Hongsheng decided to apply for listing on the NEEQ.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Prior quotation on the NEEQ and delisting

On 16 September 2015, Beijing Hongsheng was converted from a limited liability company into a joint stock company, with its net assets converted into an issued share capital of RMB30,000,000. The issued share capital comprised 30,000,000 shares with a nominal value of RMB1.00 each attributable to the then shareholders in proportion to their respective shareholdings. On the same day, Beijing Hongsheng changed its name from Beijing Rongxiang to Beijing Hongsheng Investment Company Limited (北京泓升投資股份有限公司). On 5 January 2016, shares of Beijing Hongsheng began to be listed on the NEEQ. Notwithstanding the fact that Beijing Hongsheng had never issued any new shares throughout the period during which the shares of Beijing Hongsheng were listed on the NEEQ, it had the intention to raise capital for its future development and expansion of business operations through appropriate means on the secondary market.

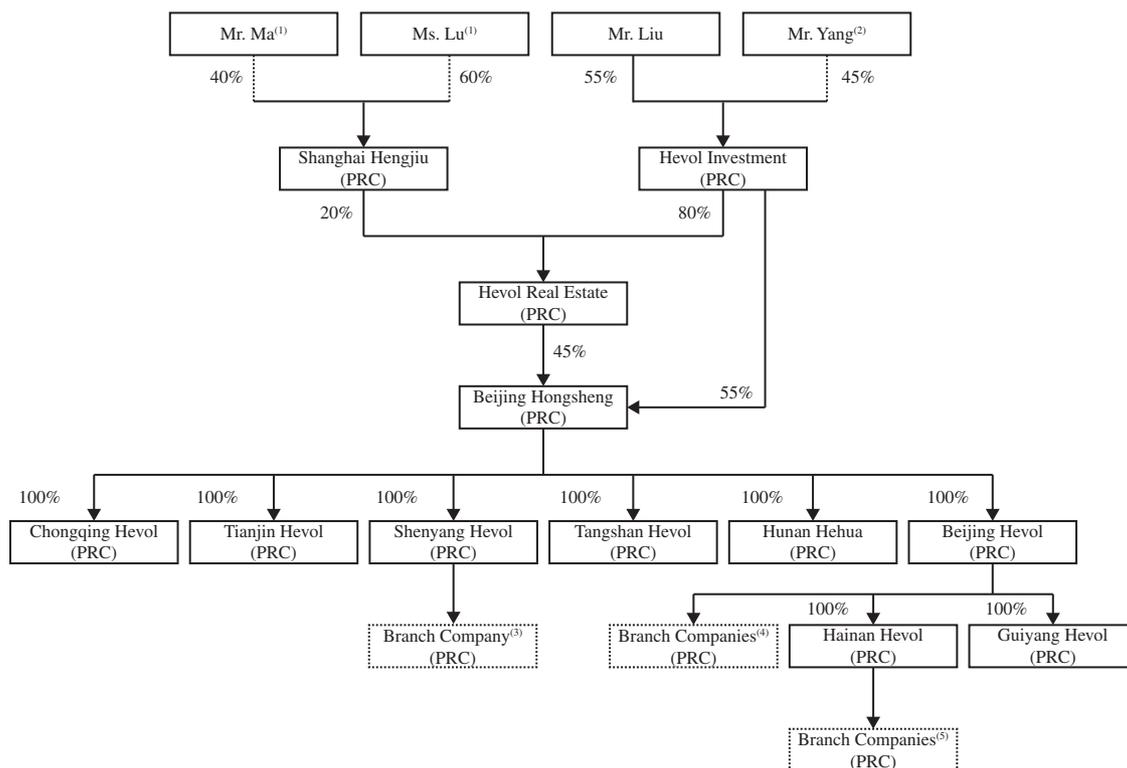
Since the NEEQ is open to qualified investors only and had a relatively lower trading volume compared to other stock exchange, it has difficulty to identify and establish the fair value of Beijing Hongsheng to reflect the underlying quality of our assets and management. The low trading volume also inhibits our ability to publicly raise funds, in equity or debt, to continuously support our business growth, and execute substantial on-market disposals by shareholders to realise value. As such, Beijing Hongsheng did not raise any funds during the NEEQ Listing Period taking into account the factors mentioned above and the then market sentiment. Given that there had been no trading of the shares of Beijing Hongsheng on the NEEQ, the then shareholders and directors of Beijing Hongsheng believed that the delisting from NEEQ and the application for listing of the shares on the Stock Exchange will be beneficial to its business development. They resolved to delist Beijing Hongsheng from the NEEQ on 14 March 2018 in consideration of such factors for future business strategy and to introduce our property management business to international markets. The shares of Beijing Hongsheng were ceased to be listed on the NEEQ on 17 April 2018. As there had been no trading of the shares of Beijing Hongsheng during the period when Beijing Hongsheng was listed on the NEEQ, no share price of Beijing Hongsheng on the NEEQ could be quoted and thus there was no publicly available market capitalisation at the time of delisting. The period during which the shares of Beijing Hongsheng was listed on the NEEQ is referred to as the “**NEEQ Listing Period**”.

As a property management company in the PRC serving various property management projects across the major cities and provinces in the PRC, we have a strong foundation in residential property management. Our Directors believe that our delisting from NEEQ and application for the Listing will be beneficial to our business development strategies because (i) the Stock Exchange, as a leading player of the international financial market, could offer us direct access to the international capital market, enhance our fund-raising capabilities and channels and broaden our Shareholders base; (ii) the Shanghai and Shenzhen Stock Connect programme between the PRC and Hong Kong may also allow mainland investors, who are more familiar with our business and operation, to invest in us through such programme after the Listing; (iii) the Listing would also enable our Company to devise more appealing share incentive plans, which correlates directly to the performance in our business and will in turn help us to attract and motivate the talents needed to support our rapid growth and enhance our operating efficiency on an ongoing basis; and (iv) the Listing will allow us to further build our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our business.

Our Directors confirm that, to the best of their knowledge and belief and save as disclosed in the section headed “Business – Historical Non-Compliance Incidents” in this prospectus, during the NEEQ Listing Period, (i) Beijing Hongsheng had been in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects; (ii) it had not been subject to any material disciplinary action by the relevant regulators; and (iii) there has not been any matter that should be brought to investors’ attention.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set forth below is the corporate structure of our Group immediately after the delisting of Beijing Hongsheng from the NEEQ:



Notes:

- (1) Share capital of Shanghai Hengjiu was held on behalf of Mr. Liu.
- (2) Share capital of Hevol Investment was held on behalf of Mr. Liu.
- (3) Shenyang Hevol operated one branch company located at Shenyang (瀋陽).
- (4) Beijing Hevol operated a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (5) Hainan Hevol operated two branch companies located at Sanya (三亞) and Lingshui (陵水).

Subsequent transfers of equity interests among shareholders

Since 22 April 2005 and throughout the NEEQ Listing Period, Hevol Investment was held by Mr. Liu as to 55% and Mr. Yang as to 45%, as nominee for Mr. Liu.

As a result of Mr. Yang's retirement in early 2018, Mr. Liu agreed with Mr. Yang and Ms. Hu that Ms. Hu shall replace Mr. Yang to hold 20% equity interest in Hevol Investment for Mr. Liu and the remaining 25% equity interest shall be transferred back to Mr. Liu.

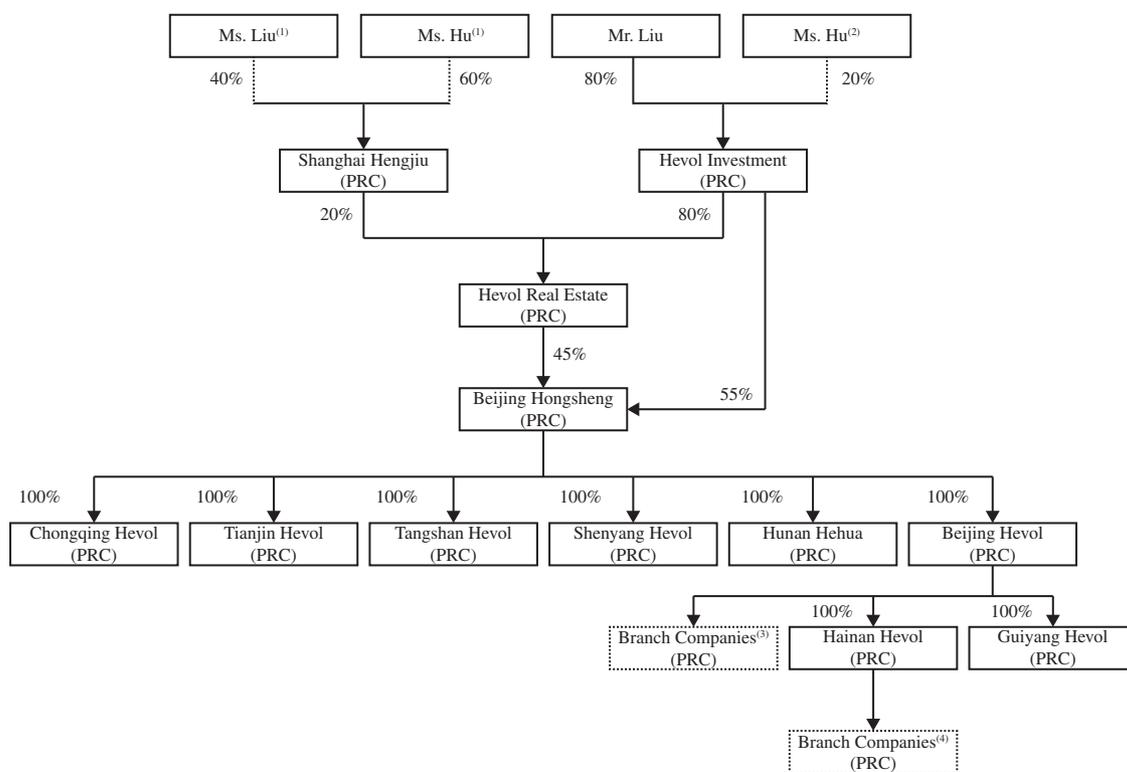
On 22 May 2018, pursuant to Mr. Liu's instructions, Mr. Liu and Ms. Hu each entered into an equity interest transfer agreement with Mr. Yang, pursuant to which Mr. Yang transferred his 25% equity interest in Hevol Investment to Mr. Liu and the remaining 20% equity interest to Ms. Hu, both at nil consideration. Upon completion of such transfers on 14 June 2018, Hevol Investment was held by Mr. Liu as to 80% and Ms. Hu as to 20%.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Since its establishment in June 2005 and throughout the NEEQ Listing Period, Shanghai Hengjiu was held by Mr. Ma as to 40% and Ms. Lu as to 60%, while both Mr. Ma and Ms. Lu held such equity interest as nominees for Mr. Liu. After the delisting of Beijing Hongsheng from the NEEQ, as Mr. Ma and Ms. Lu wish to focus on their personal businesses, Mr. Liu appointed Ms. Hu and Ms. Liu, an employee of Hevol Real Estate Group, to be the new nominees to replace Mr. Ma and Ms. Lu to hold the equity interest of Shanghai Hengjiu for Mr. Liu.

On 16 May 2018, (i) Ms. Lu entered into an equity interest transfer agreement with Ms. Hu, pursuant to which Ms. Lu transferred all her 60% equity interest in Shanghai Hengjiu to Ms. Hu for nil consideration; and (ii) Mr. Ma entered into an equity interest transfer agreement with Ms. Liu, pursuant to which Mr. Ma transferred all his 40% equity interest in Shanghai Hengjiu to Ms. Liu for nil consideration. Upon completion of such transfers on 5 June 2018, Shanghai Hengjiu was held by Ms. Hu as to 60% and Ms. Liu as to 40%.

The shareholding and corporate structure of our Group immediately after such transfer and before the Reorganisation is as follows:



Notes:

- (1) Share capital of Shanghai Hengjiu was held on behalf of Mr. Liu.
- (2) Share capital of Hevol Investment was held on behalf of Mr. Liu.
- (3) Beijing Hevol operated a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (4) Hainan Hevol operated two branch companies located at Sanya (三亞) and Lingshui (陵水).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

In order to optimise our corporate structure to more readily access the international capital markets, we underwent a corporate reorganisation in preparation for the Listing, details of which are set out as below.

(1) Incorporation of BVI Holding Companies

On 23 May 2018, Brilliant Brother was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. On the same day, one share was allotted and issued to Mr. Liu at par.

On 23 May 2018, Reformation Group was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. On the same day, one share was allotted and issued to Ms. Hu at par.

On 23 May 2018, Sugar Hundred was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. On the same day, one share was allotted and issued to Ms. Liu at par.

(2) Incorporation of Our Company

On 28 May 2018, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, with an authorised capital of US\$50,000 divided into 5,000,000,000 ordinary Shares of a par value of USD0.00001 each. Upon incorporation, one subscriber Share was allotted and issued to a registered office provider, being an Independent Third Party, and was then transferred to Brilliant Brother on the same date. Our Company then further allotted and issued 63, 28 and 8 Shares to Brilliant Brother, Reformation Group and Sugar Hundred, respectively on the same date, all of which were fully paid.

On 19 July 2018, our Company allotted and issued 664, 208 and 28 fully paid Shares to Brilliant Brother, Reformation Group and Sugar Hundred, respectively. All the Shares issued and allotted to Sugar Hundred and Reformation Group on 28 May 2018 and 19 July 2018 were held by them as nominee shareholders on behalf of Brilliant Brother. After such allotments, our Company was legally held as to 72.8% by Brilliant Brother, 23.6% by Reformation Group and 3.6% by Sugar Hundred and beneficially owned by Brilliant Brother as to 100%. On 15 August 2018, our Company changed its name from Hevol Inc. to Hevol Services Group Co. Limited (和泓服務集團有限公司).

(3) Incorporation of Offshore Intermediary Company

On 7 June 2018, Hevol Group was incorporated in Hong Kong as a limited liability company with an issued share capital of US\$1.00. On 7 June 2018, one fully paid share was allotted and issued to a corporate secretarial service provider, being an Independent Third Party, and was then transferred to our Company on the same date. The principal business of Hevol Group is investment holding.

(4) Establishment of Hevol Abundance

Hevol Abundance was established on 19 July 2018 in the PRC as a limited liability company with a registered capital of RMB5,000,000. At the date of its establishment, the equity interest of Hevol Abundance was held as to 45% by Hevol Real Estate and 55% by Hevol Investment. It was established to principally serve as our PRC holding company.

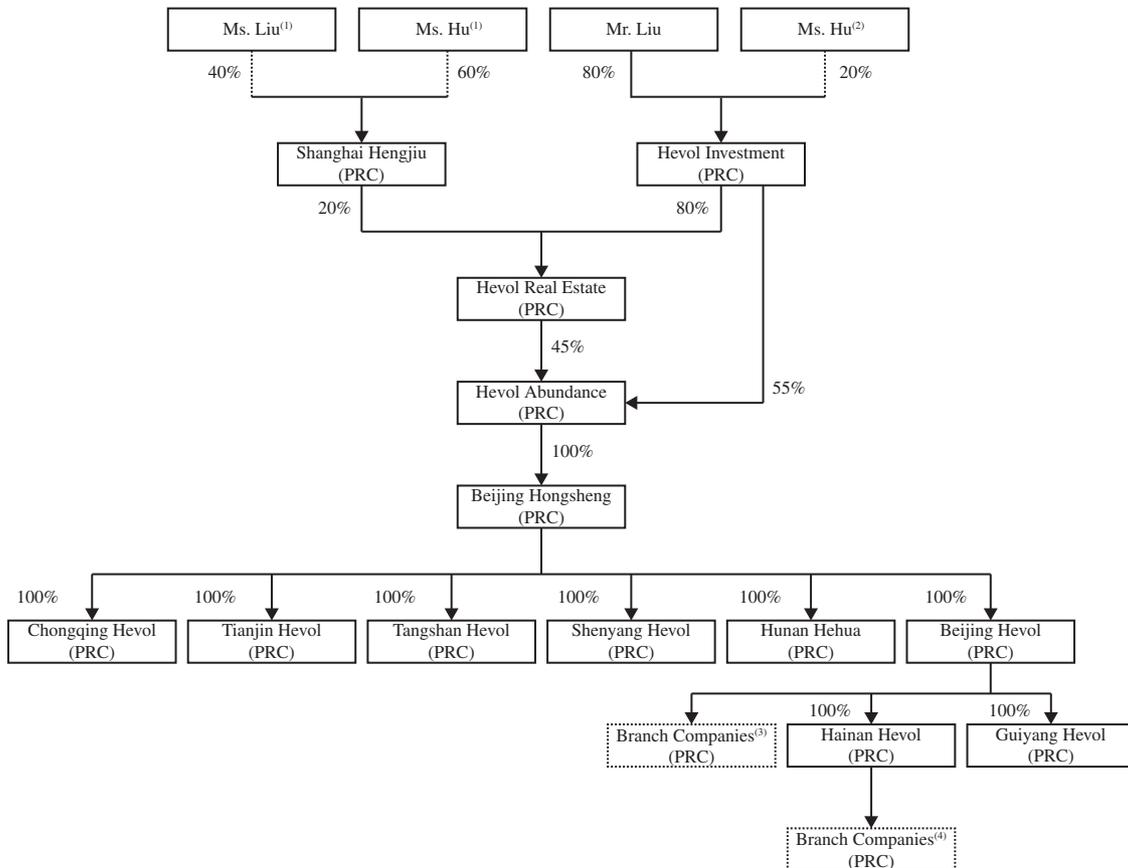
(5) Acquisition of Equity Interest in Beijing Hongsheng by Hevol Abundance

On 3 August 2018, Beijing Hongsheng was converted from a joint stock company into a limited liability company, and changed its name from Beijing Hongsheng Company Limited (北京泓升股份有限公司) to Beijing Hongsheng Investment Limited (北京泓升投資有限責任公司).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 8 August 2018, Hevol Investment and Hevol Real Estate each entered into a separate equity interest transfer agreement with Hevol Abundance. Under the equity interest transfer agreements Hevol Investment transferred its 55% equity interest of Beijing Hongsheng to Hevol Abundance and Hevol Real Estate shall transfer its 45% equity interest of Beijing Hongsheng to Hevol Abundance, respectively. Upon completion of such transfers on 13 August 2018, Beijing Hongsheng became a wholly-owned subsidiary of Hevol Abundance.

Set out below is the shareholding structure of our onshore subsidiaries immediately following the acquisition of Beijing Hongsheng by Hevol Abundance.



Notes:

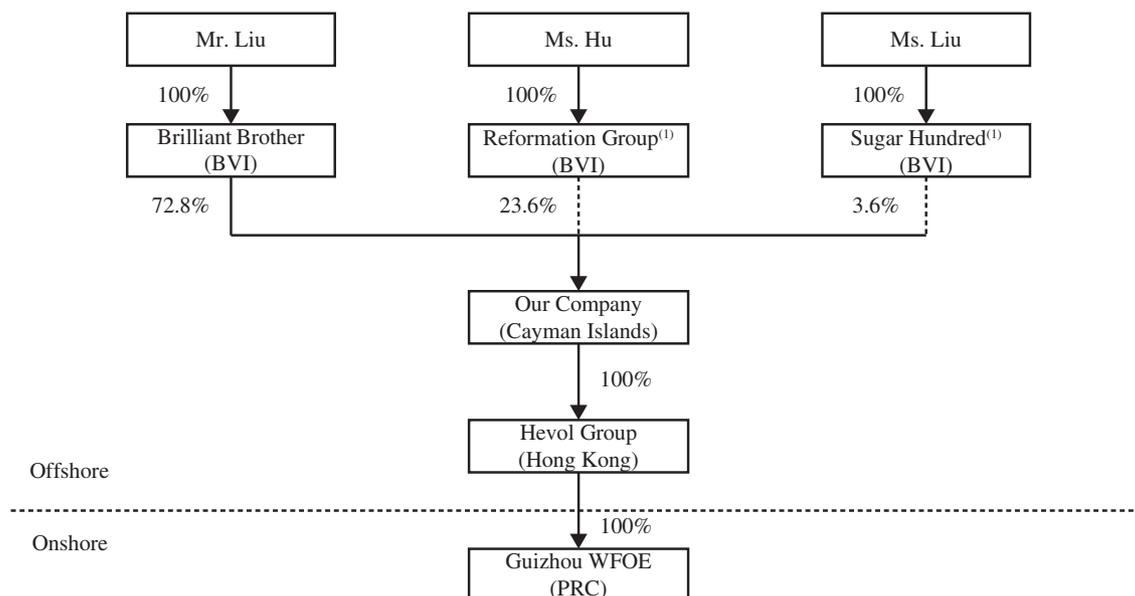
- (1) Share capital of Shanghai Hengjiu was held on behalf of Mr. Liu.
- (2) Share capital of Hevol Investment was held on behalf of Mr. Liu.
- (3) Beijing Hevol operates a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Shenyang (瀋陽), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (4) Hainan Hevol operates two branch companies located at Sanya (三亞) and Lingshui (陵水).

(6) Establishment of Guizhou WFOE

On 13 September 2018, Hevol Group, as the sole shareholder, established Guizhou WFOE as a wholly foreign-owned enterprise in the PRC with a registered capital of RMB1,000,000. It was established to principally serve as an intermediate holding company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after the incorporation and establishment of Guizhou WFOE is as follows:



Note:

(1) Shares of our Company were held on behalf of Mr. Liu through Brilliant Brother.

(7) Pre-IPO Investment by RIME Venture (HK)

On 22 August 2018, Hevol Real Estate and Hevol Investment each entered into an equity interest transfer agreement with RIME Venture (HK). RIME Venture (HK) is a limited company incorporated under the laws of Hong Kong and its entire equity interest has been held by Mr. He Jun (何軍), our Pre-IPO Investor, through RIME Venture and Cherish Eagle. Under the equity interest transfer agreements, RIME Venture (HK) acquired 2.03% of the equity interest in Hevol Abundance from Hevol Real Estate at a consideration of RMB1,184,850, and 2.49% of the equity interest in Hevol Abundance from Hevol Investment at a consideration of RMB1,448,160. The consideration was determined based on the valuation of Hevol Abundance through an asset-based approach as at 16 August 2018 conducted by an independent valuer.

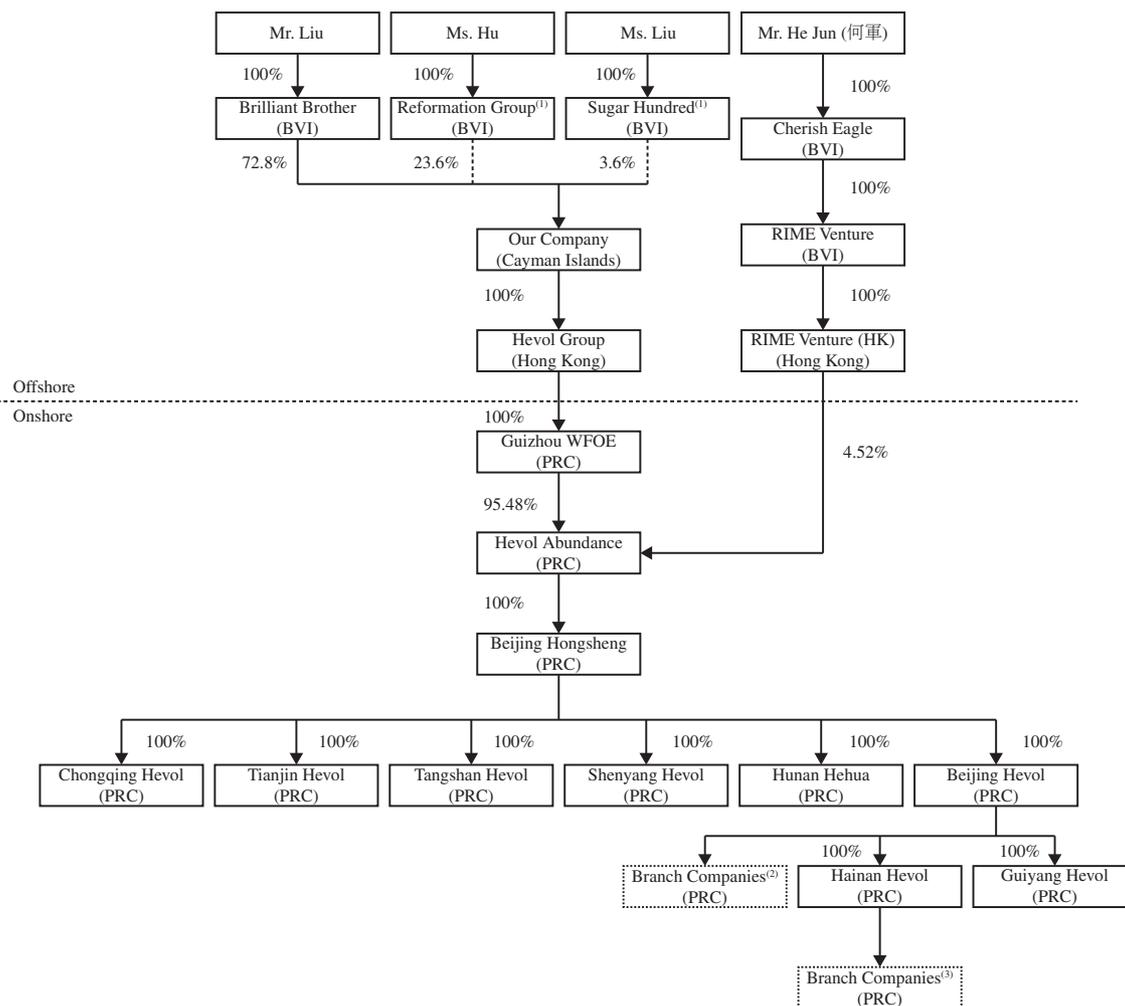
Upon completion of the acquisitions by RIME Venture (HK) on 4 September 2018, Hevol Abundance became a sino-foreign equity joint venture and its equity interest was held by Hevol Real Estate as to 42.97%, Hevol Investment as to 52.51% and RIME Venture (HK) as to 4.52%. Such consideration has been fully settled by RIME Venture (HK) utilising the personal financial resources of Mr. He Jun (何軍). Please refer to the paragraph headed “– Pre-IPO Investments” in this section below for further details.

(8) Acquisition of Onshore Subsidiaries by Guizhou WFOE

On 19 October 2018, Hevol Real Estate and Hevol Investment each entered into an equity interest transfer agreement with Guizhou WFOE, pursuant to which Hevol Real Estate and Hevol Investment shall transfer their respective 42.97% and 52.51% equity interest in Hevol Abundance to Guizhou WFOE. Upon completion of such transfers on 30 October 2018, the equity interest of Hevol Abundance was held by Guizhou WFOE as to 95.48% and RIME Venture (HK) as to 4.52%.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is the shareholding and corporate structure of our Group immediately following the acquisition:



Notes:

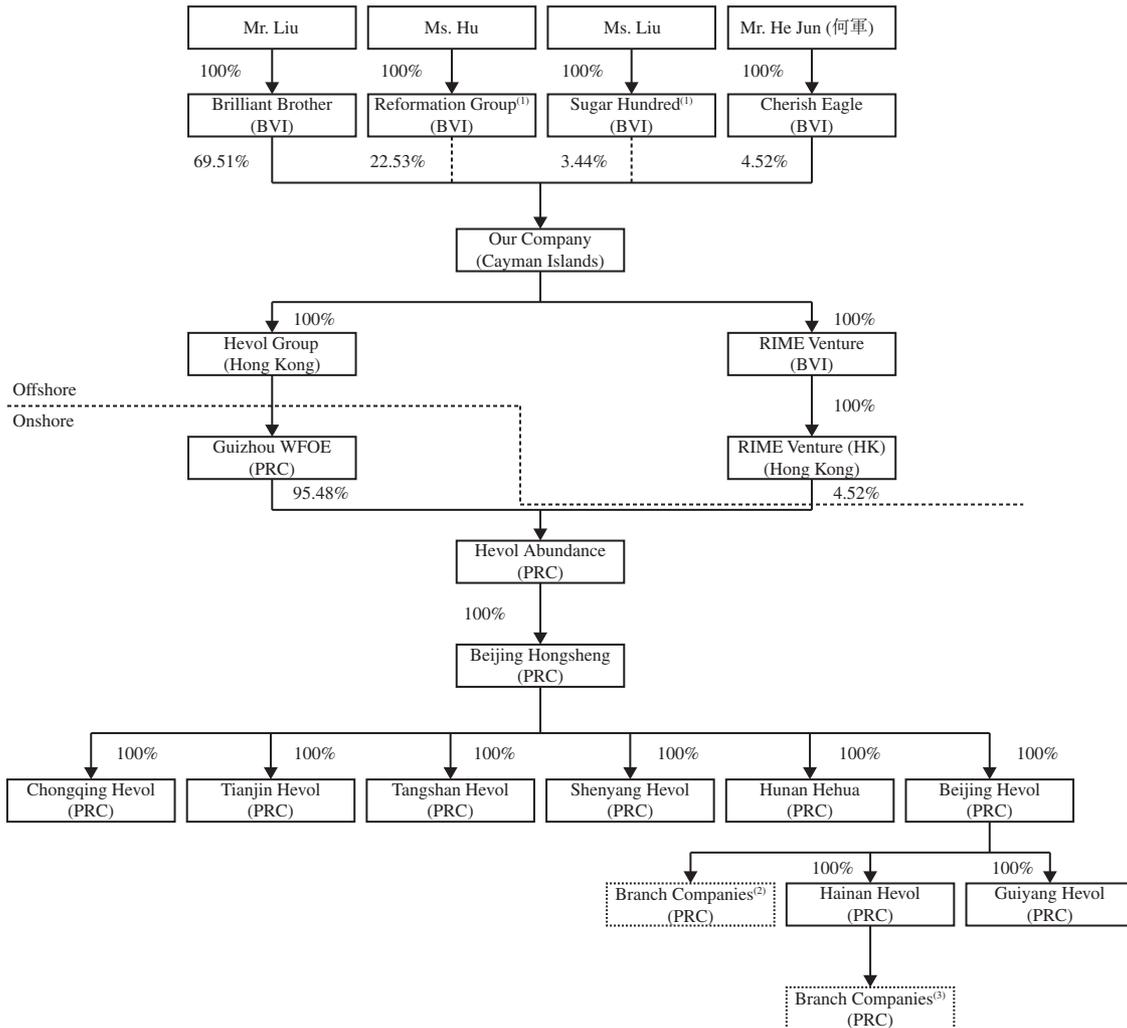
- (1) Shares of our Company were held on behalf of Mr. Liu through Brilliant Brother.
- (2) Beijing Hevol operates a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Shenyang (瀋陽), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (3) Hainan Hevol operates two branch companies located at Sanya (三亞) and Lingshui (陵水).

(9) Share Swap Between Our Company and Cherish Eagle

On 26 December 2018, Cherish Eagle transferred the entire issued share capital in RIME Venture to our Company at the consideration of the issue and allotment of 4,734 Shares by our Company to Cherish Eagle. On the same day, our Company made pro rata allotments to Brilliant Brother, Reformation Group and Sugar Hundred of 72,072, 23,364 and 3,564 Shares, respectively. The Shares allotted to Reformation Group and Sugar Hundred were held by them as nominees on behalf of Mr. Liu through Brilliant Brother. The allotment of 4,734 Shares to Cherish Eagle as consideration for the acquisition of the interest in RIME Venture was determined with reference to RIME Venture (HK)'s shareholding percentage in Hevol Abundance. Upon completion of such share swap and share allotments, RIME Venture and RIME Venture (HK) became wholly-owned subsidiaries of our Company and Cherish Eagle became our shareholder holding 4.52% of the total issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is the shareholding and corporate structure of our Group immediately following the share swap:



Notes:

- (1) Shares of our Company were held on behalf of Mr. Liu through Brilliant Brother.
- (2) Beijing Hevol operates a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Shenyang (瀋陽), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (3) Hainan Hevol operates two branch companies located at Sanya (三亞) and Lingshui (陵水).

(10) Share Transfers Between Our Shareholders

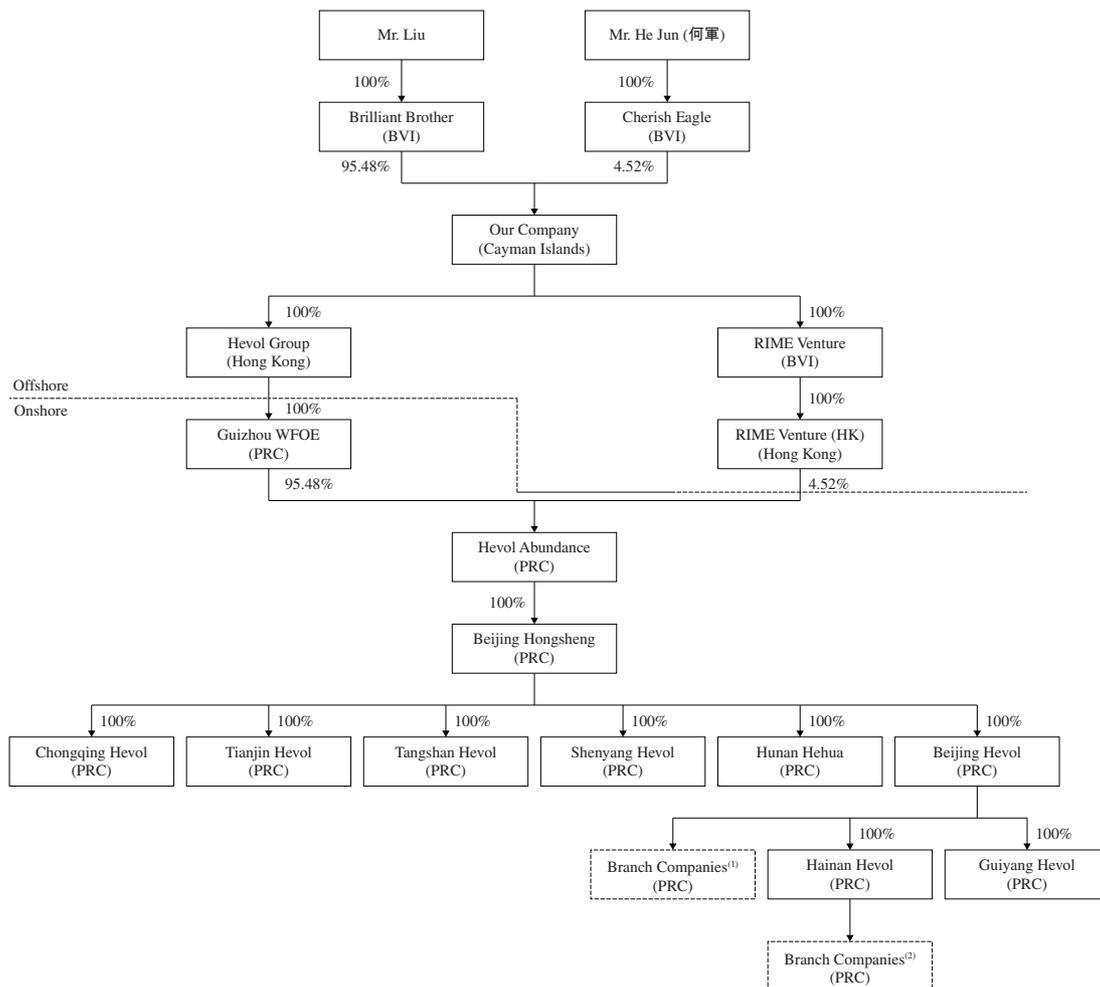
Mr. Liu, after due and careful consideration, decided that a simpler and more transparent shareholding structure is better for the interest of our Group in light of our proposed Listing. Further, Ms. Hu and Ms. Liu considered it better for them to focus on their respective management and employee positions. As a result, Mr. Liu, Ms. Hu and Ms. Liu decided to terminate the nominee arrangements in relation to the Shares of our Company.

On 31 January 2019, Reformation Group and Sugar Hundred transferred 23,600 Shares and 3,600 Shares to Brilliant Brother respectively, representing 22.53% and 3.44% of the total issued share capital of our Company, respectively. Upon completion of such transfers, Brilliant Brother became a 95.48% shareholder holding 100,000 Shares of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, (i) our Company has become the holding company of our Group; and (ii) Beijing Hongsheng has become a direct wholly-owned subsidiary of Hevol Abundance and our operating subsidiaries has become indirect wholly-owned subsidiaries of our Company.

Set out below is the shareholding and corporate structure of our Group immediately after the Reorganisation and prior to the completion of the Capitalisation Issue and Global Offering (but not taking into account any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme):

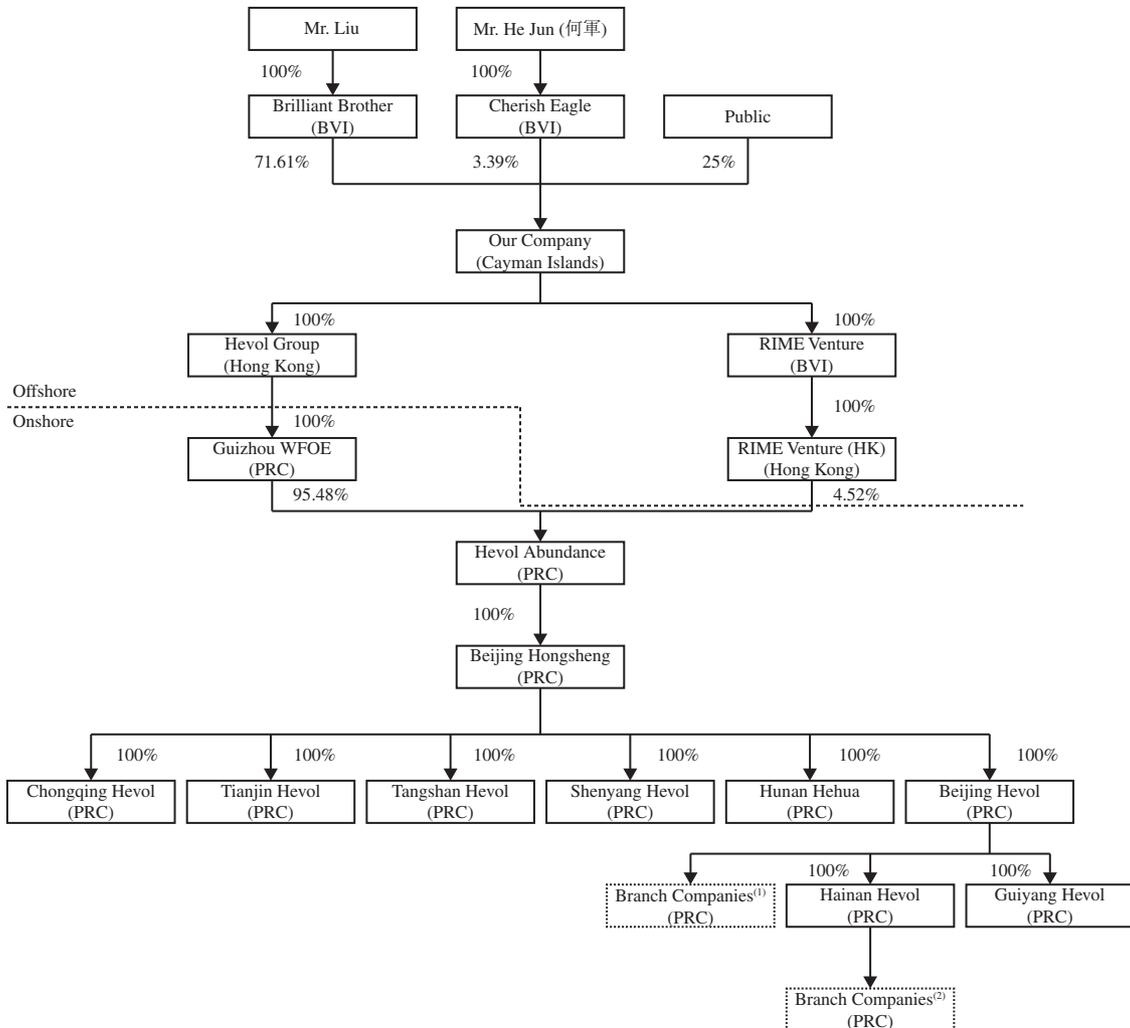


Notes:

- (1) Beijing Hevol operates a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Shenyang (瀋陽), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (2) Hainan Hevol operates two branch companies located at Sanya (三亞) and Lingshui (陵水).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is the shareholding and corporate structure of our Group immediately following completion of the Capitalisation Issue and the Global Offering, but not taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme:



Notes:

- (1) Beijing Hevol operates a total of twelve branch companies located at Beijing (北京), Chengdu (成都), Shenyang (瀋陽), Guiyang (貴陽), Chongqing (重慶), Harbin (哈爾濱) and Dandong (丹東), respectively.
- (2) Hainan Hevol operates two branch companies located at Sanya (三亞) and Lingshui (陵水).

Our PRC Legal Advisers have confirmed that all required consents, approvals, authorizations or filings have been made or obtained from the relevant competent regulatory authorities for the completion of our onshore Reorganisation mentioned above and such onshore Reorganisation complies with the PRC Laws.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENT

As set out under “– Reorganisation – (7) Pre-IPO Investment by RIME Venture (HK)” in this section above, Mr. He Jun (何軍) first acquired 4.52% of the share capital of Hevol Abundance on 4 September 2018 through Cherish Eagle, RIME Venture and RIME Venture (HK), companies then directly or indirectly wholly-owned by him. On 26 December 2018, after completing the share swap as set out under “– Reorganisation – (9) Share Swap between our Company and Cherish Eagle” in this section above, Mr. He, through his wholly owned company Cherish Eagle, became a 4.52% indirect shareholder of our Company.

Mr. He is a Singapore citizen. He is currently a partner and the head of China practice at Wong Partnership, a Singapore law firm. He has more than 20-year’s experience in the legal profession in corporate finance and mergers and acquisitions. Mr. He graduated with a Bachelor of Arts from Yunnan University (PRC) in 1983 and obtained Master of Laws from both China University of Political Science and Law in Beijing and McGeorge School of Law, University of the Pacific (U.S.) subsequently. He is admitted to the Bar of the PRC. Mr. He is an experienced investor. Mr. He is a personal friend of Mr. Liu and they became acquainted with each other through introduction by a mutual friend in 2013.

Details of his investment in our Group through Cherish Eagle, RIME Venture and RIME Venture (HK) are as follows:

Date of first acquiring interest in our Group	4 September 2018
Total amount of investment paid	Approximately RMB2.6 million
Source of funding	Mr. He’s own financial resources
Payment date of investment	7 December 2018
Number of Shares allotted	4,734 Shares, representing 4.52% of the total issued Shares as at the Latest Practicable Date
Shareholding in our Company upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any options as may be granted under the Share Option Scheme)	13,560,066 Shares, representing 3.39% of the enlarged issued share capital of our Company
Effective investment cost per Share	Approximately RMB0.19 (equivalent to approximately HK\$0.22)
Discount to Offer Price	A discount of approximately 84.3% to the midpoint of the Offer Price of HK\$1.42 per Offer Share
Special rights	No special rights were granted

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of Cherish Eagle, RIME Venture and RIME Venture (HK) and relationship with us	Save for Mr. He's investment in our Group through RIME Venture (HK), RIME Venture and Cherish Eagle, each of the three companies 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
Basis of acquisition	Arm's length negotiation and taking into consideration of the valuation of Hevol Abundance through an asset-based approach as at 16 August 2018 conducted by an independent valuer
Strategic Benefits	To broaden our Shareholder base
Lock-up restrictions	The Shares held by Mr. He are not subject to any lock-up restrictions after Listing

As Mr. He Jun (何軍) is the sole director of each RIME Venture and RIME Venture (HK), both of which are wholly-owned subsidiaries, Mr. He is a connected person of our Company. Cherish Eagle, as a company whose entire issued share capital being held by Mr. He Jun, is his associate and a connected person of our Company. The Shares held by Cherish Eagle will be considered as part of the public float.

Sole Sponsor's Confirmation

The Sole Sponsor is of the view that the pre-IPO investment is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) and the Guidance on Pre-IPO investments (HKEx-GL43-12).

PRC REGULATORY REQUIREMENTS

Compliance with the M&A Rules

The Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules") (關於外國投資者併購境內企業的規定), promulgated by the Ministry of Commerce, the State Asset Supervision and Administration Commission, the CSRC, the SAT, the SAIC and the SAFE, became effective on 8 September 2006 and were revised on 22 June 2009. The M&A Rules apply in the event that foreign investors acquire PRC enterprises. Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign invested enterprise via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or which purchases the assets of a domestic non-foreign invested enterprise to establish a foreign-invested enterprise to operate the assets.

On 8 October 2016, Ministry of Commerce issued the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises ("Circular No. 3") (《外商投資企業設立及變更備案管理暫行辦法》) which took effect on the same day and was amended on 30 July 2017 and 29 June 2018. According to the Circular No. 3, where (i) a non-foreign-invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by merger or otherwise; or (ii) the shareholder(s) of a foreign-invested enterprise changes, it shall complete the relevant record-filing procedures in accordance with the Circular No. 3.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisers,

- (i) in relation to step (6) of the Reorganisation, Guizhou WFOE has obtained the record-filing receipt for the incorporation of foreign invested enterprises (外商投資企業設立備案回執) pursuant to the Circular No. 3;
- (ii) in relation to step (7) of the Reorganisation, Hevol Abundance has obtained the record-filing receipt for the incorporation of foreign invested enterprises (外商投資企業設立備案回執) pursuant to the Circular No. 3 and the M&A Rules when Rime Venture (HK) acquired a total of 4.52% of the equity interest in Hevol Abundance from Hevol Real Estate and Hevol Investment. After such acquisition by Rime Venture (HK), Hevol Abundance has become a sino-foreign joint venture enterprise; and
- (iii) in relation to step (8) of the Reorganisation, since Guizhou WFOE acquired a total of 95.48% of the equity interest in Hevol Abundance from Hevol Real Estate and Hevol Investment after Hevol Abundance was converted into a sino-foreign joint venture enterprise, the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (外商投資企業投資者股權變更的若干規定) (the “**Rules**”) shall be applied instead. Hevol Abundance has obtained the record-filing receipt for the incorporation of foreign invested enterprises (外商投資企業設立備案回執) pursuant to the Rules and the Circular No. 3. Step (8) of the Reorganisation does not require the approval from MOFCOM and the Listing is not subject to the approval of CSRC.

Circular No. 37 Registration

Mr. Liu is a resident of the PRC and is subject to the requirements under the SAFE Circular No. 37. Mr. Liu has completed the foreign exchange registration with local qualified bank in compliance with the SAFE Circular No. 37.

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OVERVIEW

We are a reputable market player in the property management industry in China, providing property management services, community-related services and property developer-related services in the PRC for more than 16 years. According to the China Index Academy, we were ranked 44th among the “2019 Top 100 Property Management Enterprises” (2019中國物業服務百強企業) in terms of overall strength of property management (中國物業管理綜合實力) in 2019, and we were considered as a growing China Top 100 Property Management Company from 2017 to 2019 in terms of overall strength of property management based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. As at 31 December 2018, we managed 34 property management projects across 11 cities in the PRC with a total contracted GFA of 8.2 million sq.m. and a total revenue-bearing GFA of 6.3 million sq.m..

This table below sets out the breakdown of our revenue by business segment for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services ⁽¹⁾	115,927	68.6	136,340	69.6	155,327	69.2
Community-related services ⁽²⁾	40,903	24.2	51,438	26.2	55,252	24.6
Property developer-related services ⁽³⁾	12,197	7.2	8,249	4.2	13,871	6.2
Total	169,027	100.0	196,027	100.0	224,450	100.0

Notes:

- (1) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from property management services in relation to properties developed by Hevol Real Estate Group was RMB112.8 million, RMB131.4 million and RMB148.9 million, representing 97.3%, 96.3%, and 95.9% of our revenue generated from property management services, respectively. For the same periods, our revenue generated from property management services in relation to properties developed by independent property developers was RMB3.1 million, RMB5.0 million and RMB6.4 million, representing 2.7%, 3.7%, and 4.1% of our revenue generated from property management services, respectively.

* Each year the CIA publishes the China Top 100 Property Management Companies, a ranking of property management companies in terms of overall strength based on the data from the previous year on key factors such as management scale, operational performance, service quality, growth potential and social responsibility. For further details, please refer to the section headed “Industry Overview – Research Background and Methodologies” in this prospectus.

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- (2) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from community-related services in relation to properties developed by Hevol Real Estate Group was RMB40.9 million, RMB51.3 million and RMB55.0 million, representing 99.9%, 99.7%, and 99.4% of our revenue generated from community-related services, respectively. For the same periods, our revenue generated from community-related services in relation to properties developed by independent property developers was approximately RMB50.3 thousand, RMB0.2 million and RMB0.3 million, representing 0.1%, 0.3%, and 0.6% of our revenue generated from community-related services, respectively.
- (3) For the years ended 31 December 2016, 2017 and 2018, our revenue generated from property developer-related services in relation to properties developed by Hevol Real Estate Group was RMB12.2 million, RMB8.2 million and RMB13.9 million, representing 100.0%, 100.0% and 100.0% of our revenue generated from developer-related services, respectively. All of our sales assistance service agreements during the Track Record Period were related to properties developed by Hevol Real Estate Group.

We strive to provide high-quality services to our customers through our standardised and smart management process which allows us to strengthen our operational efficiency and effective control over our costs. Through the provision of property management services, we have achieved revenue growth, expanded our business and established our loyal customer base, all of which serve as a solid foundation for the provision and further development of our value-added services. Our community-related services complement our property management services and enhance the satisfaction and loyalty of property owners and residents. Our property developer-related services complement our property management services through providing sales assistance services to property developers during the development and selling phase of their properties. The skills and knowledge that we acquire throughout the process help our management to understand the changing requirements for property management service providers. We believe we have strong capabilities to provide service offerings which meet our customers' needs so as to diversify our revenue base and improve our market position.

We have experienced continuous growth during the Track Record Period in terms of revenue. Our revenue increased by 16.0% from RMB169.0 million for the year ended 31 December 2016 to RMB196.0 million for the year ended 31 December 2017. Further, our revenue increased by 14.5% from RMB196.0 million for the year ended 31 December 2017 to RMB224.5 million for the year ended 31 December 2018.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success in the PRC property management industry and differentiated us from our competitors:

We are a reputable market player in the property management industry in China with a consistently improving market position

Established in 2002, our Group has more than 16 years of experience in the property management service industry in the PRC. We are a reputable market player in the PRC property management industry with a consistently improving market position in the industry over the years. According to the China Index Academy, we were ranked 58th, 48th and 44th among the China Top 100 Property Management Companies (中國物業服務百強企業) in terms of overall strength of property management (中國物業管理綜合實力) in 2017, 2018 and 2019, respectively, and we were considered as a growing China Top 100 Property Management

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Company from 2017 to 2019 in terms of overall strength of property management based on property management scale, business performance, service quality, development potential and social responsibility. Our revenue per capita reached RMB230,900 in 2018, which was 52.4% higher than the average level of the Top 100 Property Management Companies. Moreover, we were among the early movers of property management service providers to have obtained the first class property management qualification in the PRC in 2009, which have enabled us to undertake property management projects across China, irrespective of property size, business scale and location.

Our strong and long-standing relationship with Hevol Real Estate Group leads to highly visible growth opportunities, through which we have grown into a reputable property management service provider in China. Through our long-standing and continuous cooperation with Hevol Real Estate Group, we have obtained a variety of quality projects which help us accumulate extensive experience, local knowledge and operational expertise in property management services. We believe we have been able to consistently deliver high quality services and generate attractive investment returns from property management projects, thereby allowing us to establish a proven track record of revenue growth and enhance our competitive advantages. We further believe that our stable relationship with Hevol Real Estate Group provides us the strong drivers for continuing growth of our property management portfolio and further development of our value-added services.

With our strong capabilities in property management services, we have successfully developed our property management portfolio and replicated our business model in target cities

Leveraging our accumulated industry experience and operational expertise over 16 years, we have developed our business model which integrates the full spectrum of property management services along the industry value-chain and successfully expanded our geographical coverage in China. Since the commencement of our property management services in 2002 in Beijing, we have successfully replicated our business model and expanded our service coverage to the cities which are strategically critical for our development and expansion in 11 cities across different four geographical regions in China, including northern region, southwest region, northeast region and southern region. Our total contracted GFA increased by 5.8% from 6.8 million sq.m. as at 31 December 2016 to 7.2 million sq.m. as at 31 December 2017, and further increased by 13.3% to 8.2 million sq.m. as at 31 December 2018, representing a growth of 19.8% during the Track Record Period. We are committed to, and have a long history of, providing high quality services to property owners and residents of our property management projects, as evidenced by our business expansion and revenue growth. We believe that our high quality services has, and will continue to, play a vital role in helping us maintain a high renewal rate for property management service agreements, creating new engagement opportunities with our customers and building promising synergistic business opportunities with industry participants.

We have applied our business model to manage residential properties and non-residential properties. Our business has been primarily focused on the management of residential properties during the Track Record Period. As at the Latest Practicable Date, we managed a

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total of 34 property management projects, including residential communities such as Beijing Caihongcheng (北京彩虹城), Chongqing Hevol Siji (重慶和泓四季), Chongqing Hevol Nanshandao (重慶和泓南山道), Guizhou Qianling Banshan (貴州黔靈半山) and Chengdu Hevol Banshan (成都和泓半山). Furthermore, despite our continuing relationship with Hevol Real Estate Group, we have been looking for the external business opportunities of properties developed by third party developers or institutions. During the Track Record Period, we have successfully expanded our property management portfolio through securing three property management service agreements for properties developed by third party developers or institutions in public biddings. We believe that our consistently growing property management portfolio and expanding geographic coverage demonstrate our strong capability to manage diversified portfolio of properties as a result of our high quality services, thereby allowing us to further increase our profitability.

We have offered the comprehensive community-related services and property developer-related services which enable us to diversify our service offerings and improve customer loyalty to our business

China's continued urbanisation has created ample opportunities for our business to further expand. Leveraging our local network and service capabilities in property management, as well as our understanding of the demands from property owners and residents, we have strong capabilities of consolidating and managing local specialised service providers which deliver comprehensive services meeting the various requirements of our customers. As the PRC economy continues to thrive and the living standards continue to improve in China, on top of basic living conditions, people have further needs for medical care, education, social advancement and a better living environment. Benefited from China's urbanisation, we have developed comprehensive service portfolio and achieved revenue growth. We aim to further create a fully-functional living environment catering to the various social and other needs of property owners and residents of our property management projects.

We provide traditional property management services, community-related services and property developer-related services to property owners, residents and property developers. We believe that such value-added services improves customers' living experience, satisfaction and loyalty to our managed residential communities, leading to a steady stream of future revenue. Our diverse offering of the services above covers the following aspects of our property management projects:

- *Property management services.* We implement comprehensive measures for community management, customer service management, facility management and resident management through our property management system. We also enhance our property management services by offering various kinds of services which include repair requests, incident reporting and publication of notices.
- *Community-related services.* We provide home-living services such as property repair and maintenance services, cleaning, interior decoration, collection of electricity tariffs, purchase assistance, as well as accommodation and catering

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services to property owners upon request. We also lease out common areas such as swimming pools, car parking spaces and advertising spaces to third party contractors to generate stable revenue stream for our business. We are devoted to cultivate a harmonious and closely-knitted community culture. We organise a wide range of community cultural activities on a regular basis, including community sports events, community carnivals, elderly care and community festival celebrations for residents in our property management projects.

- *Property developer-related services.* We are committed to expanding our property developer-related services and diversifying our sources of revenue. In respect of serving property developers, we offer comprehensive supporting services such as sales assistance services to their property development projects.

We believe that the provision of community-related services helps us cultivate a harmonious and closely-knitted community culture in our property management projects, address the needs of property owners and residents as well as further improve customers' loyalty to our business. We believe our provision of property developer-related services can help us diversify our business segments, understand the needs of property developers and strengthen our knowledge on various aspects of property management.

By implementing standardisation and smart management in our service process, we can consistently provide high quality services and generate sustainable profits

We focus on implementing standardisation and smart management in our service process to enhance customers' experience. We have systematically standardised property management service process and replicate them in all our managed residential communities, thus reducing our risk exposure to liabilities in relation to work-related accidents and occupational injuries, and enhancing our operational efficiency, service quality and competitiveness in the industry. To standardise and streamline our property management service, we have devised service operational manual which set out our policies, standardised procedures and protocols in respect of different kinds of property management services. We have formulated "Occupational Safety Manual (職業安全健康手冊)" and "Properties Emergency and Prevention Plan (物業應急預防方案)" and implemented relevant measures to ensure the personal safety of residents and service staff members. We provide training to staff members of our Group as well as our sub-contractors to ensure that our service standards and procedures are strictly complied with during the performance of our service. These streamlining and standardisation measures have enabled us to replicate our service operations in new projects and render services to new customers more effectively. These measures also help us to ensure the delivery of consistently high-quality services to our customers across all the properties under management, which enhances customer satisfaction and loyalty to our business.

We have centralised the protocols for the provision of certain types of standardised services at our Beijing headquarters, such as (i) customer management; (ii) repair and engineering management; (iii) community safety monitoring; and (iv) environmental management. We are able to directly supervise and monitor the services provided by our onsite service teams in different locations. Our respective repair and engineering service department, facilities management and maintenance service department as well as customer service

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department are responsible for different parts of our services operations, and our headquarters vertically manage the planning, implementation and further enhancement of standardised services in our property management projects. Through standardised services, we are also able to directly receive customer feedback and monitor rectifying measures where necessary. We have also implemented stringent quality control procedures to ensure that our services meet high quality standards, which is demonstrated by our ISO9001 quality management system certification, ISO14001 environmental management system certification and OHSAS18001 occupational health and safety management certification. We have also developed stringent and standardised procedures for the selection of third-party service providers to ensure the provision of consistently high quality of services. Furthermore, we believe our standardisation of service process helps mitigate the effects of rising costs in property management services and improve our profitability.

In respect of smart management, we have been upgrading our information system in order to (i) keep track of the whereabouts of our security guards, the records of all security points and the real time conditions of the properties under management; (ii) eliminate time-consuming and paper-based procedures in relation to making and storage of records, thereby reducing our operating costs; and (iii) accommodate our customers' requests and collect all relevant data, such as the number of visitors to a particular property during a specified period of time. In addition, we deploy cleaning and security equipment to replace manual operation according to the characteristics of relevant property and individualised demands of customers. The smart management of our service operation not only helps us establish a uniform set of property service standards to ensure the consistency and quality standards of services across properties under management, but also reduces our staff costs and enhances our service efficiency.

We have experienced professional management team and effective human resources system

Our young and experienced management team has a wealth of knowledge and experience in the property management industry. Most members of our management team have over 10 years of experience in the relevant industries. Under the strategic leadership of our management, we have achieved significant growth and established a strong market position. Our management team has adopted a prudent approach towards business expansion and financial management, striking a balance between business growth and financial stability. We believe that we are well-positioned to seize future growth opportunities while effectively managing the liquidity risk and other business risks. For further details on our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

We believe that employees who uphold our core values can contribute to our growth. Outstanding employees are critical to providing services which exceed customers' expectations, thereby boosting customer satisfaction and loyalty to our business, and ultimately increasing our profitability. We believe our employee's professionalism and execution capability are key to our success and future development. We have implemented a comprehensive human resources strategy, which aims at recruiting, developing and retaining quality personnel who can support our long-term development. To support business

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development and expansion, we will continue to attract and recruit a group of employees who are young, vibrant and cohesive, with extensive expertise in property management, project planning, finance and marketing. In order to align our employees' interests with our long-term interests as well as to incentivise our employees and boost their productivity, we provide them fair and transparent remuneration packages and internal promotion opportunities. We promote employee's work initiatives through performance appraisal for our sustainable development. We further believe that by enhancing communication and cooperation between our employees, we can improve their work efficiency, loyalty and job satisfaction for our further business growth. Moreover, we believe our results-driven and value-sharing culture, as well as well-developed talent selection, development and promotion initiatives have enabled us to identify employees who share our fundamental values and who are highly motivated to serve our customers with professionalism and dedication. We offer training programmes to employees at different levels, such as management programme and technical specialist training programme, to improve their operational expertise and enrich their industry knowledge. We focus on providing career development opportunities and upward mobility to our employees, which we believe not only attracts management personnel but also helps retain key employees for our business expansion.

BUSINESS STRATEGIES

We strive to become one of the leading property management service providers in the PRC. By providing quality property services to property owners and residents of our property management projects, we are committed to achieving the development of our employees and our Group, in line with the progress in our society. We intend to achieve our objectives by implementing the following strategies:

Further expand the scale of our property management business and increase our operational efficiency

As the competition in the PRC property management industry intensifies, we believe expanding business into new markets with growth potential and further increasing operation scale have become critical for our long-term development. In future, we intend to achieve business expansion through either (i) obtaining new property management projects through a public bidding process, or (ii) acquiring regional property management companies with attractive property management portfolios for a reasonable consideration. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. We plan to continue focusing on the geographical markets with relatively high levels of population density and purchasing power, and we intend to adopt the following measures to expand our business scale and increase our revenue:

- *Increasing the market penetration in the existing geographical markets.* We have entered into local markets in 11 cities across four geographic regions (including northern region, southwest region, northeast region and southern region) where our property management projects are located. In these local markets, we plan to increase the contracted GFA and the number of properties under management, as well as our market penetration.

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- *Strategically expanding into new markets.* To increase our market share in the above-mentioned cities and further increase our competitiveness for our ultimate nationwide coverage, we plan to selectively evaluate the market growth potential of their neighbouring cities and regions, with a focus on property management markets with relatively high levels of population density and purchasing power.
- *Increasing the charging rate of our property management services.* We continuously improve the organisational structure of our customer service department by strictly implementing the service protocols and policies to improve the professionalism and service standards of our customer service representatives. We plan to further increase the charging rates of our property management services for our profitability in the long term.

We strive to leverage our existing business relationship with Hevol Real Estate Group to further expand our business. For the next three years, we expect to undertake new high-end residential community projects from Hevol Real Estate Group, which will allow us to further strengthen our market presence in the cities which we already have property management business. Moreover, we have successfully expanded and will continue our efforts to diversify our property management portfolio through securing three property management properties developed by third party developers or institutions during the Track Record Period. Leveraging our brand recognition and service capacity, we will continue to diversify our property management portfolio through securing new property management engagements developed by third party developers or institutions with attractive investment returns in the public bidding. We believe such strategy will increase the number of our property management projects on a long-term basis. Furthermore, we will further adjust the structure of our property management business to further diversify our property management portfolio of non-residential properties, such as office space, retail business and other public facilities, to further increase our profitability.

Continue to provide comprehensive services to customers, enhance their experience and create additional value to our business

In light of the growing needs for service variety in the PRC market, we plan to continue developing new types of services in order to improve the overall customer experience and strengthen our capabilities in creating additional value in the developing of fully-functional residential communities under our management:

- *Strengthen our service offerings.* We plan to further strengthen our existing comprehensive services to solve issues that may arise in different stages of the property development process. We intend to continue improve our resident services, community accommodation and other services, leasing of car-parking space and common facilities, and will focus on improving the service standards of our accommodation services on reception guests, room service, food service as well as housekeeping and cleaning services as our major drivers for growth. We also plan to increase the scale of our community-related services such as purchase of additional car parking spaces or clubhouse in our property management projects to be managed by us for leasing or operation from time to time.

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- *Collaborating with service providers to deliver more diversified services.* We plan to dedicate more resources in providing property owners and residents of our property management projects with more specialised service providers. We will recruit local vendors and also further collaborate with nationwide service providers which will directly deliver products and services to our customers including home renovation and furniture procurement services as well as vacation-home management services. We may also enter into strategic cooperation agreements with online vendors who will serve as product and service providers. We also plan to provide new value-added services jointly with our service sub-contractors, including unmanned supermarkets, child care and community group buying services.
- *Improving the service quality of our community-related services.* Each operating subsidiary of our Group in different cities will establish its own community service operation department to strengthen our community-related services. We will also seek to offer new types of services for diversifying our sources of revenue in addition to our current services offerings. In addition, we also plan to make use of collected data to conduct big data analysis for identifying customers' needs so as to further expand our service offerings.
- *Upgrading our IT systems.* We plan to upgrade the information systems of our residential communities under management. We expect to provide more convenient services to our customers and enhance the efficiency of our integrated management system in order to improve the living experience of the property owners and residents.

Continue to grow our business through mergers and acquisitions

In view of continuous growth in the PRC economy and urbanisation, apart from growing our business through organic growth initiatives, we plan to expand the breath and contents of our service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. We believe that investment in new business opportunities is cost effective and has a high growth potential. According to CIA, the property management industry in the PRC is highly fragmented and competitive. Large-scale property management companies actively accelerate their expansion through organic growth as well as mergers and acquisitions of small-to-medium-sized property management companies, in order to expand the scale of properties under management for enjoying economies of scale benefits and enhancing the efficiency of resource allocation. As such, we plan to continue our active expansion through strategic investments in, and acquisition of, other property management companies that will create synergies with our business. By broadening our property portfolio, we are able to enhance the allocation, utilisation and sharing of resources across different properties in our portfolio, as well as to increase our market presence and brand recognition in the relevant local markets. Furthermore, when organically expanding into a new market, we might be subject to higher risks and costs due to differences in local cultures and market conditions. Moreover, the opportunities for organic growth by obtaining new third party property management projects through public bidding or direct negotiation would depend on external factors including (i) the availability of new property development projects from third

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party property developers, (ii) the business relationships between the third party property developers and their property management affiliates, (iii) the availability of existing property management projects which demand to replace property management service providers at the relevant time, and (iv) the prevailing property market conditions. Should we expand our business only by way of organic growth, we might miss out the opportunities to obtain existing property management projects which are not in the stage of replacing property management service providers and we may not be able to control the pace of our business expansion. Therefore, in addition to organic growth, strategic investment as well as mergers and acquisitions can be another efficient means of our expansion by (i) capturing the expansion opportunities which are not available through organic growth, by investing into or acquiring property management companies with existing projects which do not demand to replace property management services providers, (ii) saving the time and costs incurred in organic growth; (iii) through acquisition, gaining access to other property management companies' existing customer base and resources; and (iv) ability to better control the pace of business expansion by optimising the timing of acquisition, the size of an acquisition target and the costs involved in the acquisition with more certainty on the operating and financial performance of the acquisition target. Meanwhile, we consider expansion through strategic investments and acquisitions are not mutually exclusive to organic growth, but rather they are additional means which allows the flexibility of expanding our business in an efficient manner. By simultaneous implementation of both strategic investments and acquisitions as well as organic growth, we believe we could maximise our capability to capture all expansion opportunities (i.e. new/existing property management projects demanding for new services providers and existing stable property management projects) and optimise our resources for the purpose of achieving sustainable business growth in future. For further details on our criteria of selecting potential acquisition candidates, please refer to the paragraph headed “– Our Property Management Services – Growth of our property management services portfolio – Acquisition of third-party property management companies” in this section.

The capital required for the acquisitions and/or investments or forming business collaboration with potential targets generally depends, to a large extent, on the size of the acquisition targets or the investee companies. Furthermore, we will apply our operating standards and processes to our acquired businesses, which could allow us to manage an expanding business with an increasing level of complexity effectively and in a cost-saving manner. The cost saving and efficiency improvement through the economies of scale operation will further help us use financial resources and the time of our management team more effectively.

As at the Latest Practicable Date, we had not committed to any concrete plan of cooperation with potential targets, nor progressed to a formal negotiation or signed any definitive and finalised understanding, commitment or agreement with potential targets. As our ability to start any formal negotiation with potential targets regarding cooperation is subject to a number of uncertainties which are out of our control, we cannot guarantee you that we can achieve our plan to acquire, invest or form business collaboration with potential targets. Our management may consider it advisable to adjust our business strategies or operational plans in response to any economic, political, regulatory, market or other commercially significant factors.

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Within the next one to three years, we intend to apply HK\$47.0 million, or 51.8%, of the net proceeds from the Global Offering for such strategic acquisitions and/or investments in property management companies in order to diversify our property management portfolios and expand our business to other cities in the PRC. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Further enhance the levels of standardisation and smart management in our service process in order to increase operational efficiency and improve customer satisfaction

We plan to continue providing high quality services to our customers through standardisation and smart management in our service process, which enables us to strengthen our operational efficiency and control our costs effectively. To increase our cost efficiency and improve our service quality, we plan to further streamline and standardise the comprehensive and diverse property management services provided by us and our sub-contractors, while maintaining the flexibility to respond to customer specific requests and market changes. In view of this, we plan to improve our processes on a regular basis, through further standardisation and implementation of the improved standards across all our property management projects.

Our current information technology system mainly serves to manage key operational functions such as processing financial data, facilitating communications, managing customers’ information and payment records, and implementing internal approval processes. Our smart management systems currently include, for instance, smart car parking system, smart patrol system and video surveillance. We plan to further strengthen our standardised operations through upgrading our information technology and smart management systems, as well as to further reduce our service costs and improve service standards. For further disclosure on the enhancements we plan to incorporate into our existing information technology and smart management systems, please refer to the section headed “Future Plans and use of Proceeds – Use of Proceeds” in this prospectus. We intend to extend the coverage of our various smart management measures to our residential communities under management within the next three years. We will be able to better manage the residential communities by using the Internet and smart devices, and gradually realise smart management in security. To improve customer satisfaction, we are committed to providing a 24-hour, point-to-point direct contact services among all customers, residents and our control centres. We plan to standardise our service process by classifying our property management projects into different levels based on factors such as location, total revenue-bearing GFA, property management fee level and customer profile, and replicate such service process in part or entirely across all our property management projects with necessary adjustments.

We are in the process of strengthening our management information systems and increasing the coverage of centrally managed residential communities. By upgrading our management information system, we expect to strengthen the supervision and monitoring capabilities of our headquarters for all our property management projects, making real-time update of the operational status, and providing guidance for follow-up management. We plan to gradually raise the proportion of remotely managed residential communities within the next three years. For further details on our future investments to enhance the levels of standardisation and smart management, please refer to the section headed “Future Plan and Use of Proceeds – Use of Proceeds” in this prospectus.

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The specific measures to improve our profit and reduce our service costs are as follows:

- *Improving on customer satisfaction.* We will improve customers' satisfaction through strengthening quality inspection and internal policies. We will introduce third party satisfaction surveys and multi-media advertising campaigns to improve our corporate image, as well as carry out new types of community activities to improve community environment, such as home renovation and furniture procurement services, vacation-home management services, child care, unmanned supermarkets and community group buying services.
- *Increasing collection rates of management fees.* We will establish a personal information database for property owners and residents of our property management projects and establish an operating system to improve the process of collecting overdue property management fees. We will also implement measures to facilitate customers' timely payment of property management fees and improve our procedures for handling customer's complaints. For further disclosure on our measures to facilitate customers' timely payments of property management fees, please refer to the paragraph headed "– Our Property Management Services – Property management fees – Collection and payment of property management fees" in this section.
- *Reducing operating costs.* We will keep track of accounts dedicated to the usage of funds on repair and maintenance. Smart management equipment will be purchased to reduce power usage and emissions. We will implement measures to encourage power saving and emission reduction, such as closely monitoring the use of air conditioning systems, minimising lighting installations as far as practicable, implementing green watering systems of plants, and checking our power usage and emission levels on a regular basis. We will also improve our standards and internal policies on supplier management of bulk purchases.

We expect such measures will increase our competitiveness by enhancing customer satisfaction and can result increase of management fees in future, and will improve our efficiency and profitability.

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

We believe that employees who are committed to our core values are instrumental to our growth. To support our business development and expansion, funded by our internal resources, we intend to attract and recruit employees with extensive knowledge in property management, project planning, finance and marketing. To align employees' long-term interests with ours, we will continue to recruit, develop and retain talents by offering competitive remuneration packages and strengthening internal promotion opportunities. In addition, we will continue to cultivate entrepreneurial working environment to strengthen our employees' responsibilities and to elevate our corporate culture. We believe that by strengthening interactions and cooperation among our employees, we can enhance their operational efficiency, loyalty, job satisfaction, and thus our overall business operation.

OUR BUSINESS MODEL

We provide a wide range of property management services and value-added services to property owners, residents and property developers in relation to our property management projects. Our provisions of property management services and value-added services during the Track Record Period were not subject to seasonality. During the Track Record Period, we have not adopted any change in our business focus. The following three main segments of our business form an integrated service spectrum covering the industry value chain of property management.

- *Property management services.* We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. Our property management portfolio also covers other types of properties such as commercial properties.
- *Community-related services.* We provide home-living services such as property repair and maintenance services, purchase assistance, accommodation and catering services, as well as community events and management services, to property owners and residents. We also lease out or sub-contract common areas such as swimming pools, car-parking spaces and advertising spaces to third party contractors to generate stable revenue stream.
- *Property developer-related services.* We offer sales assistance as well as consulting services to property developers and property management companies to address their various needs on property management. For example, we provide display unit management services and visitor reception services to property developers during the sales and marketing phase of property management projects in order to facilitate the sale of development projects.

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OUR PROPERTY MANAGEMENT SERVICES

Our history can be traced back to 2002 when Donghe Tianyuan, the predecessor of Beijing Hevol, began providing property management services in the PRC. Over the years, we have grown our presence and we managed 34 property management projects with a total revenue-bearing GFA of 6.3 million sq.m. as at 31 December 2018. The table below sets out our (i) contracted GFA, (ii) revenue-bearing GFA, and (iii) number of property management projects with revenue-bearing GFA, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Contracted GFA ⁽¹⁾	6,812	7,204	8,160
Revenue-bearing GFA	5,440	5,908	6,347
Number of property management projects with revenue-bearing GFA ⁽⁴⁾	30	30 ⁽²⁾	34 ⁽³⁾

Notes:

- (1) Contracted GFA refers to the total GFA managed/to be managed by our Group, including, among others, revenue bearing GFA which is the total GFA under our Group's management and we receive property management fees from customers.
- (2) During the year ended 31 December 2017, while we obtained one new property management project, one existing property management project had been terminated. The terminated property management project was related to a military establishment. As there was change of policy in 2017 which prohibited private management companies to provide property management service to military establishments, the property management service agreement was terminated.
- (3) During the year ended 31 December 2018, our Group was engaged to manage four new property management projects. For further details, please refer to the section headed "Business – Our Property Management Services – Growth of our property management services portfolio" in this prospectus. In addition, among all of our property management projects which provided revenue-bearing GFA, we managed four, three and six properties developed by Independent Third Parties as at 31 December 2016, 2017 and 2018, respectively.
- (4) Our property management projects may be divided into multiple development phases and completed by phases. Our contracted GFA and revenue bearing GFA, therefore, increased although the number of property management projects following the completion of different development phases remained relatively stable during the Track Record Period.

Our Group had 34 property management projects with revenue-bearing GFA as at 31 December 2018. There were multiple property management service agreements signed in respect of some of these projects. In respect of such projects, our Group had either signed separate agreements for different development phases, or had signed additional agreements for the areas where property owners' associations were subsequently established. As such, our Group had signed a total of 42 property management service agreements as at 31 December 2018, 38 of which were signed in respect of the 34 property management projects with revenue-bearing GFA, and 4 of which were signed in respect of relevant property management projects which are yet to commence generate revenue.

BUSINESS

Our Geographic Coverage

The table below sets out the breakdowns of our (i) revenue from property management services and (ii) revenue-bearing GFA by geographic regions which we have property management operation, for the periods or as at the dates indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	<i>(RMB'000)</i>	(%)	<i>('000 sq.m.)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>('000 sq.m.)</i>	(%)	<i>(RMB'000)</i>	(%)	<i>('000 sq.m.)</i>	(%)
Northern China ⁽¹⁾	52,827	45.6	2,707	49.8	60,085	44.0	2,744	46.4	64,769	41.7	2,876	45.3
Northeastern China ⁽²⁾	7,558	6.5	402	7.4	9,714	7.1	464	7.9	12,491	8.0	477	7.5
Southwestern China ⁽³⁾	41,395	35.7	1,829	33.6	50,727	37.2	2,062	34.9	56,003	36.1	2,218	34.9
Southern China ⁽⁴⁾	14,147	12.2	502	9.2	15,814	11.7	638	10.8	22,064	14.2	776	12.2
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

Notes:

- (1) “Northern China” includes Beijing, Tianjin and Tangshan.
- (2) “Northeastern China” includes Dandong, Harbin and Shenyang.
- (3) “Southwestern China” includes Chongqing, Guiyang and Chengdu.
- (4) “Southern China” includes Sanya and Changsha.

Type of Properties

We manage a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of public facilities. During the Track Record Period, we generated a majority of our property management service revenue from managing residential properties, which will continue to account for a significant portion of our revenue stream in the near future. The table below sets out the breakdowns of our (i) revenue generated from property management services by type of properties; and (ii) total revenue-bearing GFA by type of properties for the periods or as at the dates indicated.

	Year ended 31 December					
	2016		2017		2018	
	Revenue generated from property management services	Revenue-bearing GFA	Revenue generated from property management services	Revenue-bearing GFA	Revenue generated from property management services	Revenue-bearing GFA
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)
Residential properties	106,366	91.8	5,147	94.6	124,997	91.7
Non-residential properties	9,561	8.2	293	5.4	11,343	8.3
Total	115,927	100.0	5,440	100.0	136,340	100.0
			('000 sq.m.)	(%)	(RMB'000)	(%)
					141,816	91.3
					13,511	8.7
					6,014	94.8
					333	5.2
					5,908	100.0
					155,327	100.0
					6,347	100.0

Scope of Our Property Management Services

The property management services we provide can be grouped into the following categories:

Security services

We strive to ensure the safety of property owners and residents of our property management projects through providing security services. We seek to enhance the quality of our security services through equipment upgrades and smart management measures, such as the use of remote monitoring systems, building access systems, electronic patrolling systems, electronic gates and carpark security systems, as well as staff training such as fire drills and practise evacuations for natural disasters. The daily security services we provide include 24-hour patrolling, access control, visitor management and registration, and emergency responses.

Repair and maintenance services

Our on-site teams at our management offices provide repair and maintenance services in connection with normal wear and tear of equipment and properties under our management. We also perform delivery inspections on units prior to delivery to property owners. In particular, we are responsible for the maintenance of (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generators, water pumps and water tanks. We set up regular equipment maintenance schedules and implement an information platform through which our management can monitor each managed property's equipment maintenance status and services, such as lift repair and maintenance as well as fire safety facilities maintenance which are outsourced to specialised sub-contractors. For further details on sub-contracting, please refer to the paragraph headed “– Our Suppliers – Sub-contracting” in this section.

Cleaning and garden landscape maintenance services

We provide general cleaning, pest control and garden landscape maintenance services to our property management projects. We delegate greening and cleaning services to third-party sub-contractors. For further details of sub-contracting, please refer to the paragraph headed “– Our Suppliers – Sub-contracting” in this section.

Type of Property Developers

During the Track Record Period, the properties under our management were developed principally by Hevol Real Estate Group while the rest were developed by independent third-party property developers. During the Track Record Period, we obtained most of our property management projects from Hevol Real Estate Group. For information concerning the business delineation between Hevol Real Estate Group and us, please refer to the section headed “Relationship with Our Controlling Shareholders – Our Controlling Shareholders – Delineation of businesses” in this prospectus. During the Track Record Period, we have submitted five tenders and won three public biddings with respect to properties developed by developers or institutions which were Independent Third Parties.

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The table below sets forth the breakdowns of (i) our revenue generated from the management of property management projects; (ii) our revenue-bearing GFA; and (iii) the number of our property management projects by type of developer at different stages as at the dates or for the periods indicated:

	For the year ended/As at 31 December											
	2016				2017				2018			
	Revenue generated from property management services	Revenue-bearing GFA	Number of property management projects	Average property management fee per revenue-bearing GFA ⁽¹⁾	Revenue generated from property management services	Revenue-bearing GFA	Number of property management projects	Average property management fee per revenue-bearing GFA ⁽¹⁾	Revenue generated from property management services	Revenue-bearing GFA	Number of property management projects	Average property management fee per revenue-bearing GFA ⁽¹⁾
(RMB'000)	('000 sq.m.)		(RMB per sq.m.)	(RMB'000)	('000 sq.m.)		(RMB per sq.m.)	(RMB'000)	('000 sq.m.)		(RMB per sq.m.)	
Property management projects developed by Hevol Real Estate Group												
- Preliminary stage	112,806	5,115	26	22.1	131,356	5,593	27	23.5	148,942	5,877	28	25.4
- Property owners' association stage	104,429	4,513	25	23.1	122,631	4,991	26	24.6	138,295	5,275	27	26.2
- Property owners' association stage	8,377	602	1	13.9	8,725	602	1	14.5	10,647	602	1	17.7
Property management projects developed by Independent Third Party property developers												
- Preliminary stage	3,121	325	4	9.6	4,984	315	3	15.8	6,385	470	6	13.6
- Property owners' associations stage	1,395	176	2	7.9	3,081	166	1	18.6	3,256	172	2	19.0
- Property owners' associations stage	1,726	149	2	11.6	1,903	149	2	12.8	3,129	298	4	10.5
Total	115,927	5,440	30	21.3	136,340	5,908	30	23.1	155,327	6,347	34	24.5

Note:

- (1) The average property management fee rate is calculated by dividing the revenue for the relevant period by the revenue-bearing GFA as at the end of such period.

For the years ended 31 December 2016, 2017 and 2018, revenue generated from Hevol Real Estate Group in relation to such properties amounted to RMB13.4 million, RMB16.9 million and RMB13.6 million, respectively, while revenue generated from property owners and residents in relation to such properties amounted to RMB99.4 million, RMB114.5 million and RMB135.3 million, respectively, for the same periods. As at 31 December 2016, 2017 and 2018, we managed four, three and six properties developed by Independent Third Parties, respectively, and we plan to continue to expand our property management services to properties developed by Independent Third Parties.

For property management projects developed by Hevol Real Estate Group, the average property management fee per revenue-bearing GFA charged by our Group for those projects at property owners' associations stage was RMB13.9 per sq.m., RMB14.5 per sq.m. and RMB17.7 per sq.m., respectively, for the years ended 31 December 2016, 2017 and 2018, in contrast to RMB23.1 per sq.m., RMB24.6 per sq.m. and RMB26.2 per sq.m. for property

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management projects at the preliminary stage for the same periods. Property management fee per revenue-bearing GFA charged by our Group for the only property management project developed by Hevol Real Estate Group that has reached the property owners' association stage was lower than that charged for the property management projects developed by Hevol Real Estate Group at the preliminary stage. This is primarily because that particular property management project belongs to a type of affordable housing and the property management fee to be charged under the project is regulated under relevant local laws and authorities.

For property management projects developed by Independent Third Party developers, average property management fee per revenue-bearing GFA charged by our Group for those projects at property owners' association stage was RMB11.6 sq.m., RMB12.8 sq.m. and RMB10.5 sq.m., respectively, for the years ended 31 December 2016, 2017 and 2018, in contrast to RMB7.9 sq.m., RMB18.6 sq.m. and RMB19.0 sq.m., respectively, charged for those projects at the preliminary stage during the same periods. Average property management fee per revenue-bearing GFA charged by our Group for those projects at property owners' associations stage was lower than that charged for property management projects at the preliminary stage for the years ended 31 December 2017 and 2018, due to the following reasons:

- (i) two of the property management projects, Beichengqiyuan (北城栖院) and Dexinyuan (德馨苑), were obtained from property owners' associations of Independent Third Party property developers in July and September 2018, respectively, and thus these property management projects only contributed a few months of revenue for the year ended 31 December 2018; and
- (ii) the project named Xixiandaicheng (西现代城) that we obtained from a property owners' association of an Independent Third Party developer is managed on a commission basis, in which revenue is calculated at a certain percentage of the total property management fee (i.e. between 1.5% to 15%) as commission. For the years ended 31 December 2016, 2017 and 2018, the service fees paid by the property owners for Xixiandaicheng were approximately RMB3.2 million, RMB7.1 million and RMB8.8 million on a commission basis, respectively, while we recognised the commission of RMB0.1 million, RMB0.2 million and RMB0.5 million as revenue.

The property management fee per revenue-bearing GFA attributable to properties developed by Hevol Real Estate Group ranged from RMB22.0 per sq.m. to RMB25.4 per sq.m. during the Track Record Period, while the property management fee per revenue-bearing GFA attributable to properties developed by Independent Third Party developers ranged from RMB9.6 per sq.m. and RMB15.8 per sq.m. during the same period. Our Group charged property management fees based on the size of property unit and the nature of space such as residential areas, retail areas and car parks. For the residential areas, we further differentiate the fee standards based on property nature, such as high-rise apartments or townhouses. The higher property management fee per revenue-bearing GFA attributable to properties developed by Hevol Real Estate Group compared to that attributable to properties developed by other developers was mainly because the property management projects developed by Hevol Real

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Estate Group and managed by us included more high-end residential communities including but not limited to (i) Hehongbanshan (和泓半山), a residential community with villas in Chengdu, with revenue-bearing GFA of approximately 138,000 sq.m. and average property management fee of RMB41.3 per sq.m. for the year ended 31 December 2018; (ii) Jiangshan International (江山國際), a residential community with high-rise apartments in Chongqing, with revenue-bearing GFA of approximately 214,000 sq.m. and average property management fee of RMB39.4 per sq.m. for the year ended 31 December 2018; and (iii) Hehong East 28 (和泓東28), a residential community with high-rise apartments in Chengdu, with revenue-bearing GFA of approximately 125,000 sq.m. and average property management fee of RMB35.0 per sq.m. for the year ended 31 December 2018. In addition, the lower property management fees per revenue-bearing GFA attributable to property management projects developed by Independent Third Party developers resulted from the combination effect of the following reason: (i) the project named Xixiandaicheng (西現代城) with revenue-bearing GFA of approximately 119,000 sq.m. during the Track Record Period had its property management fees charged on a commission basis, and the revenue recognised thereunder include only the commission fee received which resulted in a lower property management fee per revenue-bearing GFA as compared to those projects charged on a lump-sum basis in respect of which the revenue recognised before all relevant costs are deducted (particularly, for the years ended 31 December 2016, 2017 and 2018, the service fees paid by the property owners, residents and property developers for this property management project were approximately RMB3.2 million, RMB7.1 million and RMB8.8 million, respectively, while we only recognised commission in the amount of RMB0.1 million, RMB0.2 million and RMB0.5 million as revenue, respectively); and (ii) out of the six property management projects, four property management projects on a lump-sum basis and one property management project on a commission basis were secured by our Group during mid-year and thus, these property management projects only contributed a few months of revenue for the relevant years (for the purpose of illustration, (a) should the property management fee have been charged on a full year basis for the two projects with revenue-bearing GFA of approximately 286,000 sq.m. and secured during 2016 (i.e. Jinhe Wenzhou Cheng (金和溫州城) and (Xi Xiandai Cheng 西現代城)), a revenue of RMB2.4 million would have been recognised as compared to the actual revenue of RMB0.8 million recognised for the year ended 31 December 2016; and (b) should the property management fee have been charged on a full year basis for three projects with revenue-bearing GFA of approximately 153,000 sq.m. and secured during 2018 (i.e. Dexingyuan (德馨苑), Marshal Zhang's Mansion Museum (張氏帥府博物館) and Beichengqiyuan (北城栖院)), a revenue of RMB3.0 million would have been recognised as compared to the actual revenue of RMB1.1 million recognised for the year ended 31 December 2018).

We have expanded our portfolio of property management projects developed by third-party property developers during the Track Record Period. The aggregate GFA of properties under our management which were developed by third-party property developers increased from 0.3 million sq.m. as at 31 December 2016, to 0.4 million sq.m. as at 31 December 2017, to 0.5 million sq.m. as at 31 December 2018, and our revenue from property management services for such properties increased from RMB3.1 million for the year ended 31 December 2016 to RMB5.0 million for the year ended 31 December 2017, and to RMB6.4

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million for the year ended 31 December 2018. Such growth in GFA under management and revenue was primarily attributable to our continuous efforts to expand our property management services to also cover properties developed by third-party property developers. We have been exploring opportunities to obtain property management service agreements from third-party property developers, property owners and property owners' associations to spur our market expansion.

Type of Revenue Model

During the Track Record Period, we charged property management fees primarily on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis. Revenue derived from our property management services charged on a lump sum basis accounted for 99.9%, 99.8% and 99.7% of our total property management services revenue for the years ended 31 December 2016, 2017 and 2018, respectively. The property management services revenue generated from services charged on a commission basis accounted for 0.1%, 0.2% and 0.3% of our total property management services revenue for the same periods, respectively. The table below sets out the breakdowns of our (i) revenue from property management services, and (ii) revenue-bearing GFA, by revenue model as at the dates or for the periods indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Lump sum basis	115,814	99.9	5,321	97.8	136,093	99.8	5,789	98.0	154,807	99.7	6,228	98.1
Commission basis	113	0.1	119	2.2	247	0.2	119	2.0	520	0.3	119	1.9
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

Property management fees charged on a lump sum basis

During the Track Record Period, the revenue of our property management business was primarily derived from property management services charged on a lump sum basis, which is the prevailing model in China. On a lump sum basis, we charge a pre-determined property management fee per sq.m. of revenue-bearing GFA on a monthly basis which represents "all-inclusive" fees for all of the property management services provided by us and our sub-contractors as agreed in each property management service agreement. We are entitled to retain the full amount of property management fees received from property owners, residents and property developers.

On a lump sum basis, we recognise the full amount of property management fees we charge to our clients as revenue and we bear the costs of managing properties, and recognise such costs as our cost of sales, which include expenses associated with our staff directly

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providing property management services, as well as our sub-contracting costs for third-party services. As a result, reducing the costs incurred in the provision of management services to a property has a direct impact on our profitability. If the amount of property management fees we collect during the term of an agreement is not sufficient to cover all the expenses incurred, we are not entitled to request property owners, residents or property developers to pay us the shortfall. For further details, please refer to the section headed “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” in this prospectus.

We have established various internal measures to avoid loss-making. Before entering into new lump sum basis property management service agreements, we normally analyse the risk and costs of a potential project in order to negotiate appropriate property management fees. We will not enter into lump sum basis property management service agreements if we anticipate that the projected profitability would fall below our minimum requirement of profitability. Once we have signed a lump sum basis property management service agreement with our customers, we establish a financial budget as well as review the revenue and incurred costs of each project on a monthly basis. We also actively implement cost saving measures to control costs of our property management projects, including (i) sub-contracting certain property management functions to external contractors; (ii) providing employees’ training and hiring talents who can specialise in different areas of property management services; (iii) enhancing the levels of standardisation and smart management in our service process; and (iv) expanding our business scale to enhance operational efficiency as some of the costs of property management service, e.g. costs on facilities management, maintenance, security and cleaning, can be reduced per revenue-bearing GFA once our business scale expands. In addition, we may negotiate with our customers to increase the property management fees when the costs involved in relation to some services project management increase due to, for instance, incurrence of expenditure for common facilities maintenance, or upon renewal of the relevant agreements. As confirmed by our Directors, our Group did not have any major loss-making property management project during the Track Record Period as a whole.

Property management fees charged on a commission basis

During the Track Record Period, we derived revenue from one property management service agreement on a commission basis. On a commission basis, we recognise as revenue a pre-determined property management commission fee which represents a fixed percentage of the property management fees payable by property owners, residents and property developers, or expenses incurred in connection with our provision of property management services. Our service fees account for between 1.5% to 15% of the property management fees payable by the property owners, residents and property developers, while the remainder of such management fees payable are used to cover the costs and expenses in association with our provision of property management services.

When we are contracted to manage property management projects on a commission basis, we essentially act as an agent of the property owners, residents and property developers. On a commission basis, we are not entitled to any excess of the property management fees paid by property owners, residents and property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with our provision of services.

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Therefore, we do not recognise any direct cost under property management service agreements charged on a commission basis in general. Such costs are borne by the property owners, residents and property developers, as the case may be, and therefore our operation of property management services under fees charged on a commission basis always remain profitable. Please refer to the section headed “Industry Overview – The PRC Property Management Industry” in this prospectus for further details on the industry.

The adoption of a specific revenue model is subject to the nature and requirement of each individual property management project. We try to concede to the request of our customers during the negotiation process and accommodate their needs or as requested in the tender documents in determining which revenue model to use. The property developers or the property owners’ associations decide whether to charge fees under a lump sum basis or a commission basis, and we take into account a number of factors when evaluating the projects by type of revenue model on a case by case basis. We also make assessment of our prospective customers by evaluating key factors such as the estimated costs of managing the relevant property, historical fee collection rate, expected profit margin as well as whether the property was previously managed on a lump sum basis.

Property Management Service Agreements

Non-residential properties

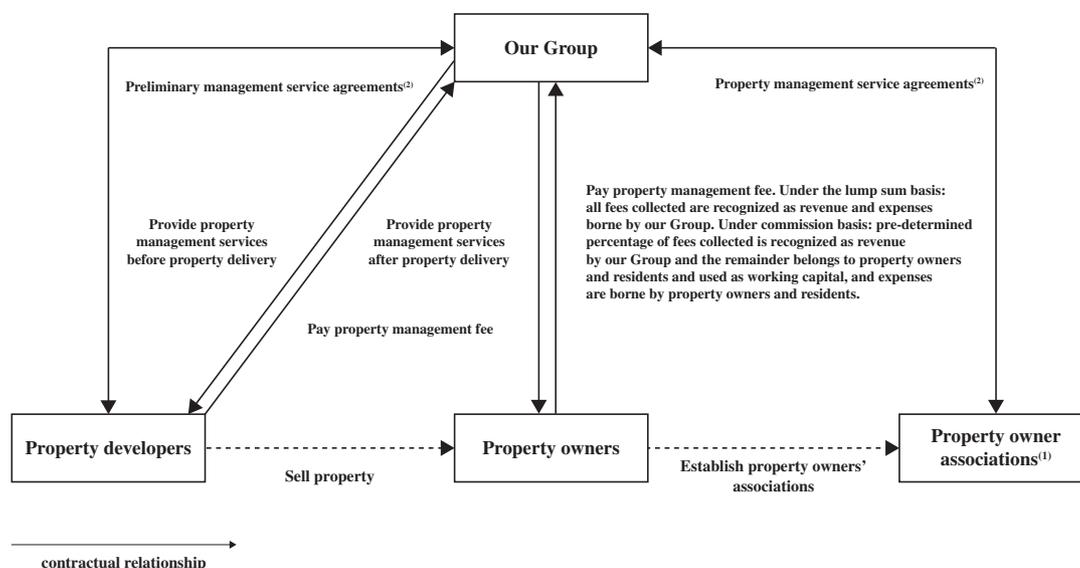
We provide property management services to non-residential properties pursuant to property management service agreements entered between the property owners or property developers and us after the developed properties have been delivered. Please refer to the paragraph headed “– Our Property Management Services – Growth of our property management services portfolio – Organic growth through new engagements” in this section for further details.

Residential properties

We provide property management services pursuant to (i) preliminary property management service agreements entered into between property developers and us before the newly developed properties are delivered to property owners; or (ii) property management service agreements entered into between property owners’ associations and us after the newly developed properties have been delivered to property owners, and the property owners’ associations have been established in accordance with the PRC laws.

We also provide sales assistance services to property developers during early stages of property development which are outside the scope of property management services. For further details, please refer to the paragraph headed “– Property Developer-Related Services” in this section. The diagram below illustrates our relationships with various parties under our property management service agreements.

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Notes:

- (1) A property owners' association is authorised under PRC laws to act on behalf of the property owners.
- (2) Our customers engage us under preliminary management agreements and property management service agreements. A preliminary management service agreement is a type of property management service agreement that we enter into with a property developer before delivery of the properties and is legally binding on all future property owners.

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

During the Track Record Period, the vast majority of the new engagements we entered into were for newly developed properties for which the property owners' associations were yet to be set up. Our PRC Legal Advisers have advised us that although neither the property owners' association nor property owners are parties to the preliminary property management service agreements, the agreements are nonetheless legally binding on the future property owners under PRC laws. When the property developers enter into property sale and purchase agreements with property owners, we take the following precautionary measures to highlight to the property owners their legal obligations to comply with the preliminary property management service agreements, the major terms of which we typically request the property developers to incorporate into their property sale and purchase agreements with property owners. Under the PRC laws, the property owners' associations may engage property management companies on behalf of property owners and enter into property management service agreements that are legally binding on all property owners.

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Key terms of preliminary property management service agreements and property management service agreements

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

Principal terms	Summary
Scope of services	We provide property management services including security, cleaning, garden landscape maintenance, repair and maintenance of the common areas and related equipment and facilities. We may also be responsible for collecting utility fees of the common areas on behalf of the property owners and residents.
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Area and facilities to be managed by us	The property management service agreement specifies the total GFA and the serviced areas to be managed by us, which are mainly the common areas of the properties (including roof-top, corridors and easements, lobbies, restrooms, car parks and private roads) and the facilities (generally including water pipes, elevators, escalators, water plumbing systems, lightings, electricity power systems, air conditioning systems and fire systems in the properties).
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Performance standards	The agreement sets out the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities in the common areas.
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Property management fees	The agreement sets out the property management fee rates to be collected per sq.m. which begin to accrue upon delivery of the purchased property. The property developer is responsible for paying the property management fees for unsold property units and sold property units prior to the delivery date agreed in the relevant property sales and purchase agreements. We may also impose late fees on overdue property management fees.
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Sub-contracting	We may outsource individual components of the property management services to specialised third-party sub-contractors. For example, we may choose to outsource security, cleaning, garden landscape maintenance, repair and maintenance services to third-party sub-contractors and only conduct the overall coordination and planning ourselves. We are not allowed to outsource all aspects of the property management services on a wholesale basis. For arrangements with our third-party sub-contractors, please refer to the paragraph headed “– Our Suppliers – Sub-contracting” in this section for further details.

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Terms specific to preliminary property management service agreements

Principal terms	Summary
Property developer's obligations	The property developer is primarily responsible for, among other things, (i) obtaining an undertaking from every property purchaser that it will comply with the preliminary property management service agreement which is usually attached to the property sale and purchase agreements, (ii) providing a readily available office space for us to use as our on-site property management office, and (iii) ensuring the quality of the common area equipment and facilities delivered to a property. 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, as well as undertakes the maintenance obligations of the property within the prescribed warranty period.
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Term and termination	The preliminary property management service agreements are automatically terminated when the property owners' associations, where applicable after being established, enter into new property management service agreements.

Terms specific to property management service agreements

Principal terms	Summary
Right to change property management companies	The property owners' association of a residential property has the right to change the property management service provider. For further details on relevant regulations, please refer to the section headed "Regulatory Overview – Regulations on Property Management Service and Other Related Services – Regulations on appointing the property management enterprise" in this prospectus.
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Term and termination	These agreements typically have duration of two to five years and may be terminated through the giving of a notice with a notice period of up to three months. When approaching expiration, these agreements may be extended and renewed through negotiations by the parties prior to expiration.
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Principal terms	Summary
Risk allocation	We are responsible for any damage to the managed property or persons caused by our faults in the course of providing property management services. We have to indemnify our customers for any damages that we cause to the property management projects, the property owners and/or their tenants.

Prepayments or deposits	We may receive prepayments or deposits from residents of properties under property management service agreements on either fixed remuneration basis or lump sum basis, for payment on behalf the residents, such as settlement of utilities bills or maintenance and repair fees.

Expiration schedule for preliminary property management service agreements and property management service agreements

The table below sets out the expiration schedule of our preliminary property management service agreements and property management service agreements as at 31 December 2018:

	Contracted GFA		Number of agreements ⁽³⁾	
	('000 sq.m.)	(%)	(%)	(%)
Property management service agreements without fixed term⁽¹⁾	6,242	76.5	29	69.0
Property management service agreements under which we provided services beyond expiration⁽²⁾	653	8.0	2	4.8
Property management service agreements with fixed terms expiring in				
Year ending 31 December 2019	561	6.9	4	9.5
Year ending 31 December 2020 and beyond	704	8.6	7	16.7
Subtotal	<u>1,265</u>	<u>15.5</u>	<u>11</u>	<u>26.2</u>
Total	<u><u>8,160</u></u>	<u><u>100.0</u></u>	<u><u>42</u></u>	<u><u>100.0</u></u>

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Notes:

- (1) Property management service agreements without fixed term refers to preliminary property management service agreements which will be superseded by property management service agreements after the property owners' associations are established.
- (2) We continued to provide services under these property management service agreements despite their expired contract terms as at 31 December 2018, mainly because the property owners' general meetings in respect of such properties were yet to be convened to renew our property management service agreements or yet to select a replacement property management service provider. As advised by our PRC Legal Advisers, pursuant to the PRC laws, the contract which is to be or agreed to be concluded in writing, shall be deemed as concluded if one party has performed the majority of obligations under the contract and the counterparty has accepted such performance, even though such contract has not been reduced to writing. As at the Latest Practicable Date, we are still providing services and the counterparties have paid the service fees accordingly pursuant to these property management services agreements. As advised by our PRC Legal Advisers, these property management service agreements are still enforceable and we are entitled to receive the property management fees for the continued services we provide for such property management service agreements beyond contract expiration.
- (3) Although our Group had 34 property management projects with revenue-bearing GFA as at 31 December 2018, there were multiple property management service agreements signed in respect of some of these projects. These projects have either signed separate agreements for different development phases, or additional agreements for the areas that have established property owners' associations subsequently. As such, our Group had signed a total of 42 property management service agreements as at 31 December 2018, 38 of which were signed in respect of 34 property management projects with revenue-bearing GFA, and 4 of which were signed in respect of relevant property management projects which are yet to commence generate revenue.

All of the preliminary property management service agreements were either still in effect and will be superseded by property management service agreements after the property owners' associations were set up.

For the years ended 31 December 2016, 2017 and 2018, our renewal rates with respect to property management service agreements, calculated as the number of renewed property management service agreements in a given year divided by the number of expiring property management service agreements in the same year, were 100.0%, 97.0% and 100.0%, respectively.

We have expanded our property management portfolio primarily through securing new property management engagements with property developers or property owners' associations with attractive investment returns.

Property Management Fees

Pricing of property management fees

We price our property management services based on a number of factors, including (i) types and locations of the properties, (ii) scope and quality of the services proposed, (iii) our budgeted expenses, (iv) our target profit margins, (v) profiles of the property owners and residents, (vi) the local government's guidance prices on property management fees (where applicable), and (vii) the pricing of comparable properties. In addition, we consider the potential cost savings we can realise via smart management and other equipment upgrades, which allow us to lower our proposed property management fees to customers.

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In the PRC, there are certain locations and regions in which the fees that property management companies may charge in connection with property management services for properties, such as residential communities, are regulated and supervised by the 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 fees charged in relation to property management services for preliminary property management service agreements and such fees may need to follow PRC Government guidance prices. Please refer to the section headed “Regulatory Overview – Regulations on Property Management Service and Other Related Services – Regulations on the fees charged by property management enterprise” in this prospectus for further details. As advised by our PRC Legal Advisers, for those locations and cities which are required to follow PRC Government guidance prices, the property management fees charged by our Group are consistent with government guidance price under the PRC laws and regulations.

For the years ended 2016, 2017 and 2018, the average property management fee rate charged for our property management projects with reference to revenue-bearing GFA was RMB1.78 per sq.m./month, RMB1.92 per sq.m./month and RMB2.04 per sq.m./month, respectively.

We generally commence to receive property management fees from property owners which are typically calculated based on the size of property units and the nature of space, such as residential areas, retail areas and car parks once the residential properties have reached the delivery stage. For the residential areas, we further differentiate the fee standards based on types of properties, such as high-rise apartments or townhouses.

Under our property management service agreements, we can negotiate with property owners and residents to raise the property management fees upon contract renewal or through obtaining approvals from the requisite number of property owners in accordance with applicable PRC laws and regulations. As advised by our PRC Legal Advisers, unless the relevant property management service agreement has set out the mechanism on raising the property management fees, we must enter into a new property management service agreement or a supplemental property management service agreement with the property owners’ association, which specifies the increased fee rate after the property owners’ association has obtained approvals in the property owners’ general meeting, typically being a simple majority of the property owners whose ownerships of exclusive areas constitute more than half of the total area of the building, in respect of the proposed fee increase. For properties where a property owners’ association have yet to be established, there is no specific approval process under PRC laws for raising property management fees. In practice, as it takes time to communicate with the property owners and to agree on the fee increase we evaluate the situation on a case-by-case basis and propose to adjust the property management fees when we consider it necessary in conducting our business, such as when an extended scope of services is required by property owners and residents or we need to improve the profitability of any potentially loss-making managed property, and we cannot assure you that we would succeed in achieving such fee increases whenever needed. During the Track Record Period, we did not raise property management fees under any of our existing management projects. For further

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details, please refer to the section headed “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” in this prospectus. In view of the abovementioned procedures and the uncertainty in fee adjustments of existing property management projects, our Directors consider that it is critical to expand our business scale through both acquisition and bidding of new projects, as well as to increase our service offerings by expanding our value-added services as well as investing in advanced technologies and smart management for the purpose of achieving cost saving of service process in the long run.

Taking into account our property management fees charged and the time and procedures it takes to adjust such fees from time to time, we have undertaken various internal measures to reduce cost and maintain profitability for our property management services. For instance, to reduce our operational costs, we have implemented standardisation and smart management measures to reduce our reliance on manual labour. For details, please refer to the paragraph headed “– Our Property Management Services – Standardisation and smart management of our service process” in this section.

Collection and payment of property management fees

We charge property management fees on a regular basis. For property management fees charged under a lump sum basis, property owners and residents pay us at a fixed fee, and we enjoy the surplus and bear the loss.

Revenue from property management services in the PRC are received in accordance with the terms of the relevant property management service agreements. Revenue from property management services are due for payment by property owners and residents upon issuance of a demand note. Pursuant to the property management service agreements, we typically charge payment for our property management services by issuing demand notes to property owners and residents either monthly, quarterly or yearly: (i) in advance; or (ii) near the end of the relevant period as prescribed in the property management service agreement, which, our Directors based on publicly available information believe, is consistent with our major competitors that provide property management services in the PRC.

The property owners and residents can pay the amount payable to us in cash, through online or offline transfer, auto-pay or third party mobile payment platforms such as Alipay or WeChat Pay. The property management service agreements typically do not specify the means through which we can seek to collect overdue fees. We have undertaken various measures to enhance the timeliness for collection of property management fees. When the property management fees become overdue, we send overdue payment notices to property owners or residents by phone or messages, or deliver in person or to the mailboxes of relevant residents, and follow up with frequent payment reminders. In the event of significant payment with prolonged delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect fees.

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Our overall collection rates of property management fees from property owners and residents, calculated as a percentage of property management fees cumulatively collected by the end of relevant year, out of the corresponding total property management fees receivable for the same year, were 60.0%, 65.6% and 79.8%, for the years ended 31 December 2016, 2017 and 2018, respectively. Our collection rates of property management fees from property owners and residents, excluding Hevol Real Estate Group, were 83.0%, 85.4% and 88.4% for the same periods, respectively. All previously prolonged property management fees due from Hevol Real Estate Group were fully settled by February 2019, and will be paid on a regular basis after the Listing. In addition to the fees collected as represented by the aforementioned fee collection rate for a given year, we also proactively attempt to collect fees with respect to the fees receivable from the previous years through (i) setting targets for collecting outstanding property management fees in the annual financial planning of our Group; (ii) sending overdue payment notices by phone or messages, or delivering in person or to the mailboxes of relevant residents, and following up with frequent payment reminders; (iii) giving special awards and bonuses to encourage employees who actively collect outstanding property management fees, and (iv) for property owners and residents who failed to pay property management fees despite repeated collection attempts, filing lawsuits to collect outstanding property management fees under legal recourse.

Growth of Our Property Management Services Portfolio

The table below sets forth changes in our total contracted GFA under the property management service agreements and preliminary property management service agreements during the years indicated.

	Year ended 31 December		
	2016	2017	2018
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
As at beginning of the year	5,914	6,812	7,204
New engagements	898	428	956
Terminations ⁽¹⁾	–	(36)	–
Net increase	898	392	956
As at end of the year	6,812	7,204	8,160

Note:

- (1) One property management service agreement was terminated during the year of 2017. The terminated property management service agreement was related to a military establishment. As there was change of policy in 2017 which prohibited private property management companies to provide property management service to military establishments, the property management service agreement was then terminated.

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The table below indicates the movement of our (i) total revenue-bearing GFA; and (ii) number of property management service agreements/preliminary property management agreements by type of property developer during the Track Record Period.

	As at 31 December					
	2016		2017		2018	
	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Number of property management service agreements	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Number of property management service agreements	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Number of property management service agreements
Property management service agreements for properties developed by Hevol Real Estate Group						
As at the beginning of the period	602	1	602	1	602	1
Additions ⁽¹⁾	-	-	-	-	-	2 ⁽³⁾
New engagements	-	-	-	-	-	-
Terminations	-	-	-	-	-	-
Property management service agreements for properties developed by Independent Third Parties						
As at the beginning of period	29	1	149	2	149	2
Additions ⁽¹⁾	-	-	-	-	-	-
New engagements	119	1	-	-	149	2
Terminations	-	-	-	-	-	-
Preliminary property management service agreements for properties developed by Hevol Real Estate Group						
As at the beginning of the period	3,096	24	4,513	27	4,991	29
Additions ⁽¹⁾	1,232	-	264	-	284	-
New engagements	185	3	214	1	-	-
Terminations	-	-	-	-	-	-
Preliminary property management service agreements for properties developed by Independent Third Parties						
As at the beginning of period	36	2	176	2	166	1
Additions ⁽¹⁾	140	-	26	-	-	-
New engagements	-	-	-	-	6	1
Terminations ⁽²⁾	-	-	(36)	(1)	-	-
Total as at the end of the year	5,440	32	5,908	32	6,347	38

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Notes:

- (1) Additions refers to the increased revenue-bearing GFA of the property units under the existing preliminary property management service agreements or property management service agreements which are completed and/or delivered to property owners and started to generate revenue during the year.
- (2) One property management service agreement was terminated during 2017. The property management service agreement was related to a military establishment. As there was change of policy in 2017 which prohibited private property management companies to provide property management services to military establishments, the property management service agreement was then terminated.
- (3) Since property owners' associations were subsequently established in respect of certain areas of a property management project, two separate property management agreements were entered into with the respective property owners' associations.

Going forward, based on the available information on Hevol Real Estate Group's development plan, the existing land bank with an aggregate GFA of over 3.5 million sq.m. and assuming the development will proceed as planned, we expect that we will begin to generate revenue from one, four and three property management projects developed by Hevol Real Estate Group for the years ending 31 December 2019, 2020 and 2021, with additional revenue-bearing GFA of not less than 0.2 million sq.m., 0.8 million sq.m. and 1.1 million sq.m., respectively. The additional revenue-bearing GFA is estimated based on all the additional revenue-bearing GFA under the existing property management projects which are under the development of Hevol Real Estate Group and are expected to be available for sale and delivery in 2019, 2020 and 2021, respectively. This will allow us to further strengthen our market presence in the cities where we already have property management business. Please refer to the paragraph headed “– Business Strategies – Further expand the scale of our property management business and increase our operational efficiency” in this section for further details.

Organic growth through new engagements

We have obtained new property management service agreements through tendering (including public tenders and tenders by invitation) to our potential customers. Bid solicitations are generally made from (i) the property developers for residential communities under development; (ii) from property owners for non-residential property management projects, or (iii) from property owners' associations for completed residential communities that wish to replace their then existing residential property management companies.

We endeavour to actively seek opportunities for new property management engagements in geographic locations which we already have property management projects under management. In addition, we plan to selectively evaluate the market growth potential of their neighbouring cities and regions, with a focus on property management markets with relatively high levels of population density and purchasing power as reflected in the paragraph headed “– Business Strategies – Further expand the scale of our property management business and increase our operational efficiency” in this section. We believe such strategy can assist us to acquire more property management service agreements as we have developed the requisite management skills and experience to operate in those markets. We believe such strategy will increase the number of our property management projects on a long term basis.

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We conduct feasibility analyses and financial projections before taking on a new engagement, taking into account a variety of factors, such as the expected rate of return, the profile and size of project as well as the competitive landscape of local market.

Public biddings

Under PRC laws, 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 under PRC laws to select property management service providers without conducting any bidding process, subject to approval by competent PRC property administration authorities.

A typical public bidding process primarily involves the following stages:

- *Invitation.* The property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders.
- *Review.* The property developer establishes a tender review committee to review and rank submitted tenders. The tender review committee takes into account factors such as credentials, service quality, availability of capital and human resources, 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 candidate firms. The property developer then engages the property management company ranked the first.

During the Track Record Period, the tender success rate of our Group securing preliminary property management service agreements and property management service agreements for properties developed by Hevol Real Estate Group was 100.0%. With respect to properties developed by developers or institutions that are Independent Third Parties, the tender success rate of our Group for securing preliminary property management service agreements was nil, nil and 100.0% in 2016, 2017 and 2018, and our tender success rate for securing property management service agreements was nil, nil and 100.0% for the same years, respectively.

Acquisition of third-party property management companies

We are open to selectively acquiring regional property management companies with attractive property management portfolios for a reasonable consideration. We believe acquisition is an efficient manner to grow our property management portfolio, especially in new geographic markets. We may achieve control of other property management companies by acquiring a controlling stake in the target entity.

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Identification and evaluation of potential targets

In evaluating a potential acquisition targets, we consider and seek to balance a variety of considerations based on our due diligence results, primarily including:

- *Target geographical location.* We plan to explore acquisition targets mainly in the cities which we already have property management business which will allow us to further strengthen our market presence in those areas. Based on our plan for expanding our business horizontally, we will continue to penetrate our property management services with priority in the Beijing – Tianjin area (where we have market presence). We selected the Beijing-Tianjin area as our priority for the following reasons: (i) there has been an upward trend for the demand for, and supply of, residential properties in the Beijing-Tianjin area. According to CIA, the total GFA of land supply for commodity properties (being residential properties developed for sale) in Beijing and Tianjin increased from 2.4 million sq.m. and 1.2 million sq.m. for the first quarter of 2018 to 3.1 million sq.m. and 2.3 million sq.m. for the first quarter of 2019, respectively, representing an increase by approximately 32.0% and 91.0%, respectively. The transaction volume of land for commodity properties in Beijing and Tianjin also increased from 2.3 million sq.m. and 1.6 million sq.m. for the first quarter of 2018 to 2.8 million sq.m. and 2.2 million sq.m. for the first quarter of 2019, respectively, representing an increase by approximately 26.0% and 41.0% respectively; (ii) according to CIA, more than 70% of property transactions in Beijing in the first quarter of 2019 comprised high end residential properties with an average selling price of over RMB60,000 per sq.m. The increasing demand for better living conditions and high-quality property management services in Beijing will further drive the growth of Beijing property management industry; (iii) the property management companies in the Beijing-Tianjin area are relatively small and fragmented. According to CIA, only 25% of the Top 100 Property Management Companies have been headquartered in the northern part of China; and (iv) our business was originated from Beijing and we have accumulated experience and knowledge in the property management market in the Beijing-Tianjin area. This provides opportunities for us to expand our property management services through acquisition in the Beijing-Tianjin area. According to CIA, when entering these target markets, we plan to selectively evaluate business opportunities in cities with reference to level of population, purchasing power and commercial development, such as provincial capitals, first-tier and second-tier cities. We believe that these potential acquisitions will provide us with efficient access to new geographic markets and support our strategy to expand our operations.
- *Management team.* We plan to continue to seek potential acquisition targets with a younger management team with relevant experience and determination to develop property management business. We also look for management teams with territorial expertise and marketing network to help us expand to new geographical locations and ultimately achieve our nationwide coverage.
- *Business focus.* We target property management companies with a business focus on the provision of property management services to residential properties.

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- *Target size and scale of operation.* We primarily look for medium-sized property management companies, any of which has a revenue bearing GFA between 1.0 million to 4.0 million sq.m., as well as has the potential for future growth by leveraging our wealth of experience in property management. We believe that it is easier to have favourable acquisition terms with these companies than with larger companies, and that benefits of the merger with smaller companies will realise sooner than those with larger.
- *Financial condition and profitability.* We will take into account the financial condition and profitability of potential targets and evaluate whether there was an upward trend of financial results in the preceding three years. We plan to seek acquisition targets with an annual revenue of more than RMB35.0 million or an annual net profit of more than RMB2.4 million.

Within the next one to three years, we plan to use approximately HK\$47.0 million, or 51.8%, of net proceeds from the Global Offering for financing the acquisitions of third-party property management companies. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further disclosure. Our Directors also believe that through acquisitions we could increase our business scale, enhance resources allocation and utilisation, expand our geographic coverage and reduce procurement cost due to economies of scale benefits.

Standardisation and Smart Management of Our Service Process

To strengthen our competitiveness, reduce our reliance on manual labour and reduce operational costs, we focus on procedure standardisation and smart management of our service process as well as upgrades of IT systems. We evaluate our property management services and formulate processes to render such services in a manner that is intended to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing labour cost.

- *Procedure standardisation.* We have streamlined and standardised our property management services, focusing particularly on standardising key elements of our services, such as environmental management, occupational health and safety management, and quality management. We divide our property management projects into different categories, based on factors such as their locations, total GFA and amount of property management fees. We set up standardised service provision procedures for each category of property management projects, and replicate them in part or in whole across all the properties that we service. In certain aspects of our business such as environmental protection and safety, we apply a consistent set of standards, which are in line with or more stringent than industry practise, throughout our property management projects we manage to achieve better and consistent quality control. Such measures help us standardise our services, which strengthens our brand and reputation by ensuring service consistency.

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- *Smart management of service process.* We strive to automate our operations where possible, by employing equipment such as carpark management systems and intelligent systems to minimise human error as well as to apply consistent service procedures and standards across our property management projects. Smart management of our service process also plays a key role in improving service quality and saving costs by reducing our reliance on manual labour such as security guards and cleaning staff.
- *Upgrades of IT systems.* We endeavour to achieve smart management within our Group. Through the digital information platform at our headquarters, we obtain the latest data on our property management projects in real time, monitor the overall operation status of properties, and make appropriate decisions based on our analysis of the data. Specifically, (i) our data monitoring screen displays the basic information of our property management projects, personnel dynamics, quality indicators and the maintenance condition of the facilities and equipment; (ii) our remote monitoring screen displays the main scenes of our property management projects, including communal areas and major facilities; and (iii) our carpark monitoring screen displays parking lots at our property management projects. By analysing information collected and displayed, we formulate strategies and policies to address the issues identified and improve customer satisfaction. Furthermore, we are in the process of establishing a centralised command centre through which we will exercise centralised management, which improves the quality and efficiency of our operations and services.

The expenses we spent in connection with standardisation, smart management and upgrades of IT systems for the years ended 31 December 2016, 2017 and 2018, were RMB0.7 million, RMB0.6 million and RMB1.4 million, respectively, which primarily comprised purchase of facilities and equipment.

COMMUNITY-RELATED SERVICES

As an extension of our property management services business, we provide community-related services to property owners and residents of our property management projects to address their lifestyle and daily needs, to enhance customer experience, satisfaction and royalty, as well as to create a healthier and more convenient living community for property owners and residents. We mainly provide three types of community-related services, namely, (i) home-living and other services, (ii) leasing of car parking space, and (iii) leasing of common facilities.

For the years ended 31 December 2016, 2017 and 2018, revenue generated from our community-related services amounted to RMB40.9 million, RMB51.4 million and RMB55.3 million, respectively, representing 24.2%, 26.2% and 24.6% of our total revenue for the same periods. The table below sets forth a breakdown of revenue of our community-related services during the periods indicated by sub-segment.

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	Year ended 31 December					
	2016		2017		2018	
	Revenue		Revenue		Revenue	
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
Home-living services	17,386	42.5	23,877	46.4	21,776	39.4
Leasing of car parking space	15,348	37.5	19,453	37.8	21,094	38.2
Leasing of common facilities	8,169	20.0	8,108	15.8	12,382	22.4
Total	40,903	100.0	51,438	100.0	55,252	100.0

Home-living Services

Our home-living services are provided both through our daily contact and interaction with property owners and residents during the process of providing traditional property management services, which can be summarised into the following categories:

Resident services

We offer resident services to property owners and residents with a focus on their daily needs. The main resident services we provide include:

- *Property repair and maintenance.* We offer property repair and maintenance services upon customers' request. For example, we provide home appliance, window and roof repair and maintenance services. The property repair and maintenance services are provided by third-party sub-contractors engaged by us. Our property owners or residents can place a service order with our on-site property management staff. We charge the residents by task or hour, depending on the type of services rendered.
- *Decoration and turnkey furnishing services.* We offer design and purchasing services with turnkey furnishing packages to create a move-in ready residence. Leveraging our integrated supplier resources, we assist the owners and residents of our property management projects in decorating and turnkey furnishing property units as well as purchasing furniture, home appliances and accessories, saving them time and effort. We charge a pre-negotiated fee for our decoration and turnkey furnishing services.
- *Housekeeping and cleaning services.* We offer housekeeping and cleaning services either by ourselves or through third-party service providers. We have implemented our household cleaning procedures, which set forth service standards, cleaning procedures and occupational etiquette.

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- *Collection of electricity tariff and other services.* We pay charges for electricity on behalf of commercial property owners in certain property management projects. We profit from our electricity tariff collection services for every kilowatt of used electricity. In addition, we generate additional revenue through the provision of other ad hoc services such as replacement and preparation of access cards and entry permits, and parcel collection and postage.

Community accommodation and other services

We offer community accommodation and other services to property owners and residents through purchase assistance, accommodation and catering service, operation of community clubhouses and other activities utilising the common areas of our property management projects.

- *Purchase assistance.* We offer purchase assistance for a full range of products and services for sale by merchants, primarily through our “Community – Radius” (社區半徑) property management software. Our active engagement and relationships with property owners and residents through our property management services help us better understand and respond to their demands. The property owners and residents may also place orders at our property management offices or through our service hotline. Our active engagement and relationships with property owners and residents nurtured through our property management services helps us understand and respond to their demands.
- *Accommodation and catering services.* We operate accommodation services including reception guests, room service, catering service at Sanya, Hainan province. We endeavour to offer an outstanding dining experience, including food, service and dining atmosphere, at our catering outlets which are positioned to provide different dining style to suit different needs of customers.
- *Community events and operation.* We offer a wide range of activities utilising the common areas of our managed residential communities. We are devoted to cultivating a harmonious and closely-knitted community culture. We organise community cultural activities on a regular basis, including sports events, community carnivals, elderly care and community spring festival celebrations. We organise community events utilising outdoor open spaces at our managed residential communities. We operate community clubhouses that provide residents with convenient facilities to socialise and relax and generate revenue for us by providing various amenities. We believe that these services can increase our engagement level with residents, and expand our access to consumer activities of residents at the same time.

Leasing of Car-parking Space

During the Track Record Period, we leased out a number of car-parking spaces (i.e. fixed car-parking spaces and ancillary areas) to other third parties (i.e. property owners and residents) and received rental income. Our Group generated revenue from leasing of car-parking space of RMB15.3 million, RMB19.5 million and RMB21.1 million for the years ended 31 December 2016, 2017 and 2018 respectively (including our Investment Properties and other car-parking spaces and ancillary areas) which comprised (i) the revenue generated from the leasing of car-parking spaces (fixed car-parking spaces and ancillary areas) owned by relevant property owners which amounted to RMB14.5 million, RMB18.7 million and RMB20.3 million for the years ended 31 December 2016, 2017 and 2018, respectively, and (ii) the revenue from leasing of car parking spaces under the Investment Properties which amounted to RMB0.8 million, RMB0.8 million and RMB0.8 million, respectively, for the same periods. The rental yield attributable to car-parking spaces under Investment Properties was approximately 2.1%, 2.8% and 2.8% for the same periods. During the Track Record Period, (i) the occupancy rate of the car-parking spaces (other than those hourly and temporary car-parking spaces) under fixed car-parking spaces was approximately 53.8%, 58.9% and 62.7%, respectively, and (ii) the occupancy rate of the car-parking spaces under the Investment Properties was approximately 97.4%, 97.1% and 98.0%, respectively. For the status and details of our Investment Properties, please refer to the paragraph headed “– Properties – Contractual property interest” in this section.

In respect of leasing of certain car-parking spaces situated at the property management project in respect of which a property owners’ association was established, certain amounts of commission fees had been paid to the property owners through the property owners’ association as these car-parking spaces, which are classified as common areas of the property project, as well as other common areas collectively belong to the property owners. Individual property owners are not allocated to any particular portion of car-parking space when they purchase the properties and do not have the right to occupy, lease or sell those car-parking spaces, and would have to pay for the rent to use it. Prior to the establishment of any property owners’ association, we were required to provide management services and were entitled to collect rents in respect of those car-parking spaces under the preliminary property management service agreements entered into between property developers and us (including those beyond contract expiration). We continued to provide services under these property management service agreements despite their expired contract terms as at 31 December 2018, mainly because the property owners’ general meetings in respect of such properties were yet to be convened to renew our property management service agreements or yet to select a replacement property management service provider. As advised by our PRC Legal Advisers, pursuant to the PRC laws, the contract which is to be or agreed to be concluded in writing, shall be deemed as concluded if one party has performed the majority of obligations under the contract and the counterparty has accepted such performance, even though such contract has not been reduced to writing. As at the Latest Practicable Date, we are still providing services and the counterparties have paid the fees accordingly pursuant to relevant agreements. As advised by our PRC Legal Advisers, these property management service agreements are still enforceable and we are entitled to receive income for the continued services we provide for such agreements beyond contract expiration.

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Following the establishment of a property owners' association for certain projects, and pursuant to the property management service agreement entered into between the property owners' association and us, it was agreed that we are entitled to the revenue generated from leasing of these car-parking spaces, and in turn pay back a commission to the property owners' association. The relevant amount paid by our Group to the property owners' associations was approximately RMB0.5 million, RMB0.5 million and RMB0.9 million for the years ended 31 December 2016, 2017 and 2018, respectively, among which RMB0.4 million, RMB0.4 million and RMB0.9 million was attributable to car-parking spaces.

According to CIA and to the best knowledge of our Directors, owning the car parking spaces for leasing car parking spaces to property owners and residents is in line with the industry norm. Our Group recognises the gross amount of revenue from leasing of a number of car-parking spaces which belong to property owners, as our Group fulfils the primary responsibility under the leasing contracts, bears all the operating risks for leasing such relevant car-parking spaces and has the discretion in setting leasing prices. Since the provision of car parking space rental services formed part of our services for the property owners and residents under the community-related services, we are of the view that it would be more appropriate, which is also in line with the industry norm, not to classify such income as rental of Investment Properties under the business model of commercial property leasing. To the best knowledge of our Directors, such classification of rental income of car parking spaces is in line with other listed PRC property management companies.

We have entered into an agreement with a third-party sub-contractor to receive contract fee by contracting out the management and operating right of such car-parking spaces in one of our property management projects subsequent to the Track Record Period. In the car-parking spaces management agreement, the sub-contractor is required to provide clothing and equipment, and is responsible for employing its staff and purchasing public liability insurance and personal injury insurance. The sub-contractor is also required to pay a contract fee to us for the right to manage the car-parks, in exchange that the sub-contractor obtains the right to lease car-parking spaces to customers and collect car-parking fees. Our Group recognises the contract fee from the third-party sub-contractor as revenue subsequent to the Track Record Period.

Leasing of Common Facilities

As we are the property management company of the residential property management projects, we have the management and operating right to manage certain common areas which belong to property owners or property developers such as swimming pools, advertising spaces and other public facilities. We outsource the management and operating right to a number of external sub-contractors to help us manage those common areas. We also receive service fees from residents directly for using the facilities in a clubhouse.

In a typical operations management services agreement, the sub-contractors are generally responsible for the management and maintenance of the common areas. For an operation management services agreement of advertising spaces, the sub-contractor is responsible for the

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installation of televisions and frames at the advertising spaces, and is responsible for the contents displayed on those advertising spaces. Some advertising sub-contractors may be required to provide advertisement design, production and publication services to its customers that purchase advertisement spaces, and the advertisements will be displayed to property owners and residents at our residential communities.

The sub-contractor is also responsible for the promotion and collection of fees for the use of those common areas, e.g. entrance fees to swimming pools from end-users. In exchange for the right to management and the right to enjoy proceeds generated from those common facilities, the sub-contractor pays a contract fee to us.

In respect of certain common areas situated at the property management project which has established property owners' association, a commission fee of approximately RMB0.1 million, RMB0.1 million and RMB0.1 million had been paid to the property owners' association for the years ended 31 December 2016, 2017 and 2018 respectively. The arrangement of payment of commission fees to the property owners' association in respect of common areas is similar to that of leasing of car-parking spaces. For details of the arrangement regarding the payment to property owners' association, please refer to the paragraph headed “– Community – Related Services – Leasing of car-parking spaces” in this section. In addition, we paid Hevol Real Estate Group an annual rent of RMB150,000 for the operation and management of the clubhouse during the Track Record Period. Please refer to the section headed “Connected Transaction – Lease Agreements in Relation to Jiaoda Jiayuan” in this prospectus for further details.

As advised by our PRC Legal Advisers, under the applicable PRC Laws, there is no mandatory provision regulating the mechanism on how property owners collect income derived from the common areas of property management projects from property management companies including (i) projects under preliminary property management service agreements, and (ii) projects under which such preliminary property management service agreements expired but we continued to provide services and a property owners' association is yet to be established. Pursuant to the Regulations on Property Management in the PRC, such income shall be mainly used for the maintenance and upgrade of common areas and facilities of the relevant property management projects. Our Group is of the view that such income has been and will be used in the maintenance and upgrade of common areas and facilities of the relevant property management projects, which complies with the Regulations on Property Management in the PRC. As advised by our PRC Legal Advisers, as long as such income is being applied to the maintenance and upgrade of common areas and facilities, it is unlikely that any such income will be subject to distribution to individual property owners.

PROPERTY DEVELOPER-RELATED SERVICES

We offer a wide range of property developer-related services to address the issues arising during each major stage of a property development project. For the years ended 31 December 2016, 2017 and 2018, we had 10, 16 and 27 operating sales assistance service agreements. Our revenue generated from providing property developer-related services amounted to RMB12.2

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million, RMB8.3 million and RMB13.9 million, respectively, representing 7.2%, 4.2% and 6.2% of our total revenue for the same period. All of our sales assistance service agreements during the Track Record Period were related to properties developed by Hevol Real Estate Group.

Sales Assistance Service

When property developers market their property development projects, they typically set up display units to showcase their properties to potential buyers. In light of the high foot traffic at display units, property developers usually require on-site teams to provide cleaning, security and maintenance services. We deploy our staff to the display units and offer display unit management services to the property developers to address such needs in return for a fixed service fee. The key terms of a sales assistance service agreement typically include the following:

<u>Principal terms</u>	<u>Summary</u>
Scope of services	Our services typically include reception services, cleaning and maintenance on the display units and equipment inside the units, site surveillance, parking and site touring. We typically attach a service proposal 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' responsibilities	Our property developer customers are generally responsible for providing our staff with office space, cleaning equipment, housing and meals as well as purchasing insurance for display units.
Management fees	We usually charge fixed amount of fees, which are required to be paid in instalments over the course of 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 sales assistance service agreements. We also have some agreements under which fees are charged on a commission basis based on a fixed percentage of the total costs incurred by us.

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Principal terms

Summary

Term	The term for our sales assistance service agreements is generally for a fixed term or upon advance notice by our customers.
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Apart from the display unit management, cleaning and security service provided to property developers, from time to time, we may provide additional consultation services on matters ranging from human resources, technical support and management systems to the property developers.

OUR CUSTOMERS

We have a loyal customer base primarily consisting of (i) property owners and residents which are the customers of our property management and community-related services, and (ii) property developers and owners which are the customers of our property management services and property developer-related services. During the Track Record Period and up to the Latest Practicable Date, all of our customers were Independent Third Parties except for Hevol Real Estate Group and certain other related parties. For further details, please refer to the sections headed “Financial Information – Related Party Transactions and Balances” and “Connected Transactions” in this prospectus.

Major Customers

Our single largest customer during the Track Record Period was Hevol Real Estate Group. During the Track Record Period, we provided property management services and property developer-related services to Hevol Real Estate Group. For further details, please refer to the paragraph headed “– Our Property Management Services – Type of property developers” in this section. For the years ended 31 December 2016, 2017 and 2018, revenue from Hevol Real Estate Group, which is also our largest customer, amounted to RMB27.7 million, RMB26.2 million and RMB29.1 million representing 16.4%, 13.4% and 13.0% of our total revenue for the same periods, respectively. On the other hand, Hevol Real Estate Group is also one of our suppliers for the leasing of a clubhouse and a boiler house as we need to rent such facilities for the supply of heat and provision of amenities. In return, we paid Hevol Real Estate an annual rent of (i) RMB150,000 for the clubhouse and (ii) RMB1.5 million before 1 July 2016 and RMB500,000 after 1 July 2016 for the boiler house. The total rent paid by us to Hevol Real Estate totalled RMB1.2 million, RMB0.6 million and RMB0.6 million for the years ended 31 December 2016, 2017 and 2018, respectively. For further details, please refer to section headed “Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements – Lease Agreements in relation to Jiaoda Jiayuan”. For the years ended 31 December 2016, 2017 and 2018, revenue from our five largest customers, amounted to RMB30.7 million, RMB29.3 million and RMB34.9 million, representing 18.2%, 14.9% and 15.6% of our total revenue, respectively.

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The table below sets out the details of our five largest customers for the year ended 31 December 2016:

Background and business profile	Years of business relationship as at the Latest Practicable Date	Products/ services purchased	Revenue	Percentage of total revenue	Credit terms/ payment methods
<i>(RMB'000)</i>					
Hevol Real Estate Group, which is a property developer and principally engages in (i) property development; (ii) property investment; and (iii) construction, civil engineering, design and other related services	16 years	Property management, maintenance, security, cleaning services and other ancillary services	27,745	16.4%	Monthly and bank transfer
Customer A, which is an advertising and media company and engages in design, production, release of advertisements and media display-related consulting services. It is a wholly owned subsidiary of a listed company on the Shenzhen Stock Exchange	2 years	Rental of advertising spaces	1,230	0.7%	Payment in advance and bank transfer
Customer B, which is a fast food chain company and provides food and beverages and catering services	3 years	Rental of commercial property	832	0.5%	Payment in advance and bank transfer
Customer C, which is a government institution and offers property leasing services	3 years	Property management, maintenance, security and cleaning services	465	0.3%	Payment in advance and bank transfer
Customer F, which is a property management company and provides property management services and value-added services	3 years	Property management, maintenance, security and cleaning services	432	0.3%	Payment in advance and bank transfer

BUSINESS

The table below sets out the details of our five largest customers for the year ended 31 December 2017:

Background and business profile	Years of business relationship as at the Latest Practicable Date	Products/ services purchased	Revenue	Percentage of total revenue	Credit terms/ payment methods
<i>(RMB'000)</i>					
Hevol Real Estate Group, which is a property developer and principally engages in (i) property development; (ii) property investment; and (iii) construction, civil engineering, design and other related services	16 years	Property management, maintenance, security, cleaning services and other ancillary services	26,208	13.4%	Monthly and bank transfer
Customer A, which is an advertising and media company and engages in design, production, release of advertisements and media display-related consulting services. It is a wholly owned subsidiary of a listed company on the Shenzhen Stock Exchange	2 years	Rental of advertising spaces	1,170	0.6%	Payment in advance and bank transfer
Customer B, which is a fast food chain company and provides food and beverages and catering services	3 years	Rental of commercial property	805	0.4%	Payment in advance and bank transfer
Customer D, which is a company selling duty free products and providing repair and maintenance services. It is a wholly owned subsidiary of a listed company on the Shanghai Stock Exchange	2 years	Property management, maintenance, security and cleaning services	636	0.3%	Payment in advance and bank transfer
Customer C, which is a government institution and offers property leasing services	3 years	Property management, maintenance, security and cleaning services	455	0.2%	Payment in advance and bank transfer

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The table below sets out the details of our five largest customers for the year ended 31 December 2018:

Background and business profile	Length of business relationship as at the Latest Practicable Date	Products/ services purchased	Revenue	Percentage of total revenue	Credit term/ payment methods
			<i>(RMB'000)</i>		
Hevol Real Estate Group, which is a property developer and principally engages in (i) property development; (ii) property investment; and (iii) construction, civil engineering, design and other related services	16 years	Property management, maintenance, security, cleaning services and other ancillary services	29,094	13.0%	Monthly and bank transfer
Customer A, which is an advertising and media company and engages in design, production, release of advertisements and media display-related consulting services. It is a wholly owned subsidiary of a listed company on the Shenzhen Stock Exchange	2 years	Rental of advertising spaces	3,263	1.5%	Payment in advance and bank transfer
Customer E, which is an advertising and media company and mainly engages in the advertising agency business	1 year	Rental of advertising spaces	1,168	0.5%	Payment in advance and bank transfer
Customer B, which is a fast food chain company and provides food and beverages and catering services	3 years	Rental of commercial property	805	0.4%	Payment in advance and bank transfer
Customer D, which is a company selling duty free products and providing repair and maintenance services. It is a wholly owned subsidiary of a listed company on the Shanghai Stock Exchange	2 years	Property management, maintenance, security and cleaning services	600	0.3%	Payment in advance and bank transfer

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We have established on-going business relationships with our top five customers for the Track Record Period ranging from 1 year to 16 years.

As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers for the Track Record Period. As at the Latest Practicable Date, save for Hevol Real Estate Group, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest customers during the Track Record Period.

MARKET DEVELOPMENT

Our sales and marketing personnel are primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to acquire new customers as well as maintain and strengthen our relationships with existing customers. Our headquarters manage our overall sales and marketing strategies, while our regional subsidiaries and branches oversee the implementation of our sales and marketing activities within their respective regions. We have taken sales and marketing measures that are tailored to the following categories of customers:

Property Developers

- *Hevol Real Estate Group.* Most of our revenue from property management services was derived from properties developed by Hevol Real Estate Group during the Track Record Period. We expect properties developed by Hevol Real Estate Group to be our stable source of revenue in the foreseeable future. We will continuously maintain a long-term cooperative relationship with Hevol Real Estate Group.
- *Third-party developers.* We continuously endeavour to expand our cooperation with independent property developers by providing customised, diversified and quality services. Furthermore, we implement various incentive measures to encourage our employees to obtain property management service agreements 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 consultancy arrangements.

Property Owners and Residents

We provide services to property owners and residents of all ages located in various regions. As a result, the habits, demands and preferences of our customers vary. We implement different marketing measures for different groups of property owners and residents according to their needs. For example, we provide accommodation service for the customers in Sanya, Hainan, thereby bringing convenience to local property owners and residents.

QUALITY CONTROL

We conduct internal inspection and external inspection regularly to keep up the standard of our service. As at 31 December 2018, our quality management department consist of 11 staff members focused on, among others, setting up quality standards, work flow and inspection frequency, initiating quality inspection and control, supervising and reviewing performance. Our quality management department is led directly by our deputy general manager.

Work Management Manual

We have developed and fully implemented a set of work management manuals, which have been prepared specifically according to the duties of each category of the key position within our Group. By setting forth the compulsory tasks to be completed on a daily, monthly, quarterly and semi-annually basis, the work management manuals guide our employees to complete high quality work within a certain time frame. The manuals also facilitate the quality control system by setting a unified standard for each category of employees.

Quality Control for Property Management Services

We require our employees and the third-party sub-contractors we engage to strictly observe our quality standards. We are certified under ISO 9001 for the quality of our property management services. Our headquarters has a service hotline and WeChat platform to answer residents' concerns and complaints, which subsequently are dealt with through our centralised reporting and quality control system. We value and proactively seek residents' feedback and evaluations for our service. Our on-site staff members actively solicit feedback from the residents and routinely inspect building structures and hardware at the residential properties to identify potential issues.

Quality Control of Third-party Sub-contractors

We perform quality control procedures over third-party sub-contractors pursuant to certain quality standards such as ISO 9001 published by the International Organisation for Standardisation. The subcontracting was granted through bidding process followed with well-established bidding guidelines and procedures.

After we engage the relevant sub-contractors, we set up detailed schedules, work flow charts and quality standards for them to follow for each type of our major services, such as cleaning and gardening. For example, with respect to cleaning services, our schedule sets forth

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specific service performance time, locations to be cleaned and tasks to be performed. We conduct multi-level inspections, including daily, weekly and monthly inspections with the third-party sub-contractor's person-in-charge, to ensure the quality of cleaning work performed by the third-party sub-contractors. According to our cleaning workflow chart, the contracted worker must show up at the identified location at the designated time, and the cleaning work must be conducted based upon our quality standard.

We grade our third-party sub-contractors periodically based on a number of factors, such as their work performance, quality, timeliness and number of complaints we receive. Since many of our services are performed by third-party sub-contractors and their quality is critical to our customer satisfaction, we impose a set of obligations and standards on the sub-contractors. If the standard of work performed by a sub-contractor does not meet our standards, we may provide a notice to the sub-contractor to rectify the deficiencies, and if the subcontractor refuses or fails to rectify, we are entitled to terminate the agreement. Through this contractual arrangement, we can ensure the quality of third-party contractors. For further details, please refer to the paragraph headed “– Our Suppliers – Sub-contracting” in this section.

Internal Regulations on Complaint Management

During our ordinary course of business, from time to time, we receive complaints from residents in our property management projects. We have established a detailed complaint management guidelines to handle all complaints in a timely manner. Upon receiving complaints, our employees are required to approach the complainant to understand the situation and solve the problem. The relevant employee may visit the concerned site to resolve the issue when necessary.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints from residents in our property management projects that may have any material adverse impact on our operations. For further details, please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry – We may be involved in legal and other disputes and claims arising out of our operations from time to time arising from our operations” in this prospectus.

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OUR SUPPLIERS

Major Suppliers

During the Track Record Period, most of our top five suppliers were sub-contractors for our property management services business. For the years ended 31 December 2016, 2017 and 2018, purchase from our largest supplier for the Track Record Period amounted to RMB8.0 million, RMB10.1 million and RMB10.8 million, respectively, representing 11.6%, 12.7% and 12.3% of our total purchase for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, purchase from our five largest suppliers for the Track Record Period in aggregate amounted to RMB26.5 million, RMB28.2 million and RMB31.6 million, respectively, representing 38.3%, 35.3% and 35.9% of our total purchase⁽¹⁾, respectively. The table below sets out the details of our five largest suppliers for the year ended 31 December 2016:

Background and business profile	Years of business relationship as at the Latest Practicable Date	Products/ services supplied	Purchase amount	Percentage of total purchases ⁽¹⁾	Credit terms/ payment methods
<i>(RMB'000)</i>					
Supplier A, which is an engineering service company ⁽²⁾	4 years	Sub-contracting of repair and maintenance services	8,003	11.6%	Payment based on the completeness status upon agreed by both parties and bank transfer
Supplier B, which is a cleaning service company	13 years	Sub-contracting of cleaning service	5,500	8.0%	Monthly or quarterly payment and bank transfer
Supplier C, which is a state-owned company and provides natural gas in the PRC	7 years	Supply of natural gas	5,460	7.9%	Payment in advance and deduct based on actual consumption
Supplier D, which is a state-owned company and provides electricity	15 years	Supply of electricity	4,295	6.2%	Monthly payment based on actual electricity consumption and payment by cheque
Supplier E, which is a security service company	7 years	Sub-contracting of security service	3,193	4.6%	Monthly payment and bank transfer

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The table below sets out the details of our five largest suppliers for the year ended 31 December 2017:

<u>Background and business profile</u>	<u>Years of business relationship as at the Latest Practicable Date</u>	<u>Products/ services supplied</u>	<u>Purchase amount</u>	<u>Percentage of total purchases⁽¹⁾</u>	<u>Credit terms/ payment methods</u>
<i>(RMB'000)</i>					
Supplier A, which is an engineering service company ⁽²⁾	4 years	Sub-contracting of repair and maintenance services	10,126	12.7%	Payment based on the completeness status upon agreed by both parties and bank transfer
Supplier B, which is a cleaning service company	13 years	Sub-contracting of cleaning service	5,934	7.4%	Monthly or quarterly payment and bank transfer
Supplier D, which is a state-owned company and provides electricity	15 years	Supply of electricity	4,530	5.7%	Monthly payment based on actual electricity consumption and payment by cheque
Supplier C, which is a state-owned company and provides natural gas in the PRC	7 years	Supply of natural gas	3,900	4.9%	Payment in advance and deduct based on actual consumption
Supplier E, which is a security service company	7 years	Sub-contracting of security service	3,759	4.7%	Monthly payment and bank transfer

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The table below sets out the details of our five largest suppliers for the year ended 31 December 2018:

<u>Background and business profile</u>	<u>Years of business relationship as at the Latest Practicable Date</u>	<u>Products/ services supplied</u>	<u>Purchase amount</u>	<u>Percentage of total purchases⁽¹⁾</u>	<u>Credit term/ payment methods</u>
<i>(RMB'000)</i>					
Supplier A, which is an engineering service company ⁽²⁾	4 years	Sub-contracting of repair and maintenance services	10,816	12.3%	Payment based on the completeness status upon agreed by both parties and bank transfer
Supplier C, which is a state-owned company and provides natural gas in the PRC	7 years	Supply of natural gas	5,565	6.3%	Payment in advance and deduct based on actual consumption
Supplier B, which is a cleaning service company	13 years	Sub-contracting of cleaning service	5,525	6.3%	Monthly or quarterly payment and bank transfer
Supplier E, which is a security service company	7 years	Sub-contracting of security service	4,920	5.6%	Monthly payment and bank transfer
Supplier F, which is a security service company	12 years	Sub-contracting of security service	4,753	5.4%	Monthly payment and bank transfer

Notes:

- (1) Total purchases refers to our total cost of sales without taking into account the staff costs, depreciation and sales taxes.
- (2) For the detailed terms of this sub-contracting agreement, please refer to the section headed “Business – Our Suppliers – Sub-contracting – Key terms of long term and/or sub-contracting agreements”.

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We have maintained business relationship with our five largest suppliers for the Track Record Period ranging from 3 to 15 years. We typically enter into supply agreements with our five largest suppliers during the Track Record Period which have a term ranging from one to five years.

As at the Latest Practicable Date, we were not aware of any information or arrangements which lead to cessation or termination of our relationships with any of our five largest suppliers during the Track Record Period. As at the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, or had any interest in any of our five largest suppliers for the Track Record Period.

Selection of Suppliers

To ensure the overall quality of services provided to our customers, we have in place internal guidelines on the selection of suppliers and have maintained an approved list of suppliers, the selection of which is primarily based on their product or service quality, necessary industry and regulatory licences and professional qualifications if necessary, past performance and customer feedback, as well as price competitiveness. Our list of approved suppliers is subject to periodical review to ensure consistently high-quality services provided to our customers.

We typically engage our suppliers through invitation to tender, which are administered by the business department and the project procurement staff, as well as quality control staff and finance personnel. We first select several competent suppliers from the list of approved suppliers and invite them to submit a fee quote and other bidding documents. The relevant departments then assess the submitted bids and consider a wide range of factors, such as the bidders' price competitiveness, product or service quality, professional qualifications, industry reputation and financial strength, in selecting the bid awardee. We may also procure materials in relatively small amounts through the requests for fee quotes from, and commercial negotiation with, shortlisted vendors.

We maintain minimal inventories as we only order materials and components such as switches, LED bulbs and slip resistant materials when the common areas of our property management projects require maintenance or when our customers require property repair and maintenance services in community-related services. Inventories amounted to RMB17,000, RMB24,000 and RMB68,000 as at 31 December 2016, 2017 and 2018, respectively. All of our five largest suppliers during the Track Record Period were located in the PRC.

Once a selected supplier commences to provide products or services, we periodically monitor and evaluate its performance in accordance with the signed agreements. Evaluations focus on the suppliers' product or service quality, cooperation with our staff, results of problem rectification and handling of customer complaints. In the event of repeated sub-standard performances or other failures, the suppliers may be terminated and removed from our list of qualified suppliers.

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During the Track Record Period, we did not experience any shortage or delay in the delivery of services which had a material adverse effect on our property management services. During the Track Record Period, we did not encounter any material disputes with our suppliers.

Sub-contracting

To utilise our own workforce more efficiently, we delegate certain services to sub-contractors, including labour-intensive services such as cleaning, security and greening services of common facilities. For the years ended 31 December 2016, 2017 and 2018, our sub-contracting costs amounted to RMB36.9 million, RMB46.0 million and RMB52.5 million, accounting for 31.2%, 35.4% and 36.5% of our total cost of sales for the same period, respectively. All of our major sub-contractors during the Track Record Period were located in the PRC.

We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, allocate more resources to our core businesses and enhance the overall profitability of our operations. For the basis of selecting sub-contractors, please refer to the paragraph headed “– Our Suppliers – Selection of Suppliers” in this section. Based on our experience in the property management industry in the PRC, we believe that there are readily available alternative sub-contractors that could replace any of our existing sub-contractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our sub-contractors.

To ensure the overall quality of our work, we have our internal policies of selecting and maintained an approved list of third-party sub-contractors. The selection is based on various factors, including having the required licences, previous job references, reputation in the industry, past track records, price competitiveness, and the assessment results of their onsite inspections. For further details, please refer to the paragraph headed “– Quality Control – Quality control of third-party sub-contractors” in this section.

Fluctuations in sub-contracting costs and utilities costs have not had any material impact on our business during the Track Record Period. We have not experienced any difficulty at a material level in maintaining the reliable supply of quality services from sub-contractors during the Track Record Period. We are generally able to pass on fluctuations of increases in sub-contracting prices to our customers.

For a sensitivity analysis of impact of hypothetical fluctuations in staff costs and sub-contracting costs on our net profit for the year, please refer to the section headed “Financial Information – Factors Affecting Our Results of Operations – Staff costs and sub-contracting costs” in this prospectus.

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Key terms of long term and/or sub-contracting agreements

We enter into sub-contracting agreements with sub-contractors on normal commercial terms. The key terms of our typical sub-contracting agreements are as follows:

Principal terms	Summary
Term of service	<p>Our sub-contracting agreement typically has a term ranging from one to three years for different types of services which may be renewed upon mutual consent. We have entered into one sub-contracting agreement with one sub-contractor related to engineering services for a term of five years.</p> <p>We will consider re-engaging the sub-contractors based on the quality of their services.</p> <p>-----</p>
Our responsibilities	<p>We are typically responsible for providing on-site workers of the sub-contractors with necessary working spaces, facilities and utilities.</p> <p>-----</p>
Obligations of sub-contractors	<p>The sub-contractors are responsible for providing services in accordance with the scope and standards prescribed in the sub-contracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, the sub-contractors are required to take necessary rectification measures within the period required by us. If they fail to do so, we shall have the right to unilaterally terminate the sub-contracting agreements.</p> <p>In respect of the long term contract related to engineering service, the sub-contractor is responsible to inspect and maintain common facilities (including aisles, underground rooms and facilities, bricks and greenery areas) and machinery rooms, and performs emergency repair to those facilities upon request.</p> <p>In respect of the long term contract related to engineering service, the sub-contractor may also enter into residential units and perform property repair and maintenance services upon a property owner or resident's request. The sub-contractor is obliged to arrive at the residential units within a time period upon receiving the request. Repair cost is charged on a scale determined by us and the sub-contractor may not charge the client on a different scale.</p>

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<u>Principal terms</u>	<u>Summary</u>
Risk allocation	The sub-contractors manage their own employees, with whom we have no employment relationship. The sub-contractors are responsible for indemnifying us for any damages to property or personal injury caused by the fault or gross negligence of the sub-contractors in the course of providing the sub-contracting services.
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Sub-contracting fees	Sub-contracting fees are typically payable monthly or quarterly and are determined with reference to the costs incurred in connection with the management, staff costs, procurement of materials and other miscellaneous costs incurred by the sub-contractors.
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Price adjustment	In respect of the long term contract related to engineering service, sub-contracting fees are subject to yearly increase by a pre-determined fixed percentage.
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No assignment	Sub-contractors are not allowed to assign or sub-contract their obligations under the sub-contracting agreements to any other party unless with our prior consent.
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Termination and renewal	<p>The sub-contracts may be terminated if either party fails to perform their respective obligations under the agreement. In some agreements, the agreement may be terminated with a notice period of not less than one month. Likewise notice shall be given at least one month before expiration if renewal is desired subject to re-negotiation.</p> <p>In respect of the long term contract related to engineering service, the agreement shall terminate on expiration, and notice shall be given to the other party at least one month before expiration if renewal is desired subject to re-negotiation.</p>

We are not aware of any material breach against terms of sub-contracting agreements during the Track Record Period.

As at the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our five largest sub-contractors. Most of our major sub-contractors have had business relationships with us for not less than three years.

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COMPETITION

The PRC property management industry is fragmented and competitive. Our major competitors include large national, regional and local residential property management companies, some of which may have longer track records and greater financial and other resources, greater brand recognition and greater economies of scale than us. We compete with our major competitors in relation to a number of factors, including primarily scale, brand recognition, financial resources, price and service quality. For further details, please refer to the sections headed “Risk Factors – Risks Relating to Our Business and Industry – We operate in a highly competitive industry with numerous competitors and we may not compete successfully against our competitors” and “Industry Overview – Competition – Competitive landscape” in this prospectus.

EMPLOYEES

We employed 950 full-time employees as at the Latest Practicable Date. The table below sets out the breakdown of our employees by function:

Function	Number of employees
Facilities management and maintenance services	335
Customer services	306
Repair and engineering service	114
Human resources and administration	76
Management	63
Finance	51
Audit, legal and internal control	5
Total	950

The table below sets out the breakdown of our employees by geographic location:

Geographic location	Number of employees
Northern China	319
Southwestern China	267
Northeastern China	140
Southern China	224
Total	950

We have been outsourcing and expect to continue to outsource certain labour-intensive service tasks and specialised technical service tasks, primarily including security, cleaning, gardening, repair and maintenance services to sub-contractors. Such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our reliance on labour and enhance the overall profitability of our operations.

Recruiting and Training

We source candidates through a variety of channels including local job placement centres, labour agencies, vocational schools, online advertisements and employee referrals. For example, our employee referral programmes are designed to encourage our existing employees to select and recruit suitable candidates from their social networks, expanding the pool of available candidates in a cost-efficient manner. Our screening and selection processes primarily include (i) review and screening of resumes, (ii) face-to-face interviews, (iii) vocational preference testing and (iv) background checks. Our review and screening of candidate resumes considers a variety of factors, such as an applicant's age, education credentials, work experience, professional qualifications, personality and potential.

We host comprehensive internal staff training programmes for our staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. We provide orientation training to new hires and introduce them to our corporate culture to understand our service standards and procedures. We provide training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees.

During the Track Record Period and up to the Latest Practicable Date, some of our employees have joined our Group's labour unions but none of our employees negotiate their terms of employment through any labour 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 labour disputes or shortages that may have a material adverse effect on our business, financial position and results of operations. 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. Please also refer to the paragraph headed “– Historical Non-compliance Incidents – I. Social insurance and housing provident fund contribution” in this section for further disclosure.

INSURANCE

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For further details, please refer to the section headed “Risk Factors – Risks Relating to our Business and Industry – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter” in this prospectus.

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labour, safety and environment protection matters. In addition, we have established occupational safety systems, implemented the national occupational safety rules and standards such as the ISO14001 and OHSAS18001 standards, and provided employees with workplace safety trainings to our employees on a regular basis to increase their awareness of work safety issues. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us. Our PRC Legal Advisers are of the view that we are not subject to any material administrative penalties due to violation of environmental laws in the PRC.

PROPERTIES

As at the Latest Practicable Date, we did not own any property.

Leased/Occupied Properties

As at the Latest Practicable Date, we occupied property management offices for 37 residential communities with an aggregate GFA of 8,820.6 sq.m.. Such offices were provided by property developers since property developers are required to plan and provide property management office space for property management companies to use for free under PRC laws and regulations.

In addition to the occupied property management offices, as at the Latest Practicable Date, we leased 21 properties with a total GFA of 3,284.7 sq.m. as our registered offices and office premises in the PRC. Except a clubhouse located at Jiaoda Jiayuan (交大嘉園) which was leased from Hevol Real Estate Group for a term from 1 December 2018 to 30 November 2021 as detailed below, all other office premises and registered offices were leased from Independent Third Parties. For further details, please refer to the section headed “Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements – Lease Agreements in Relation to Jiaoda Jiayuan” in this prospectus.

As at the Latest Practicable Date, the lease agreements for our leased properties had not been registered with the local housing administration authorities as required under PRC law, primarily due to (i) the lack of cooperation from our landlords in registering the relevant lease agreements and (ii) the lack of title certificates. Both (i) and (ii) were factors beyond our control. Our PRC Legal Advisers have advised us that we might be ordered to rectify this failure to register by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed as a consequence. The estimated total amount of potential penalty for our failure to register our lease agreements is RMB21,000 to RMB210,000. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement

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actions as a result of our failure to file the lease agreements described above. As advised by our PRC Legal Advisers, the failure to register the lease agreements would not affect the validity of lease agreements or the use of leased properties, and our Directors are of the view that such non-registration would not have a material adverse effect on our business operations or constitute a material legal obstacle for the Listing.

In relation to the leased properties for which our landlords did not obtain title certificates and proofs of ownership, our PRC Legal Advisers have advised that we are unable to ascertain whether our landlords have the legal right or requisite authority to lease such properties to us, whether such properties are subject to mortgages or third-party rights, or whether such leases are subject to challenge by third parties. In the event that we are required to relocate from those leased properties, given the nature of our operation, we do not believe that relocation would result in material disruptions to our business. Moreover, replacement premises for the leased properties without title certificates and proofs of ownership, which we are using as office premises, are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

Contractual Property Interest

As at the Latest Practicable Date, we own the beneficial interest of the Investment Properties (defined below) pursuant to certain arrangements entered into with various property developers namely (i) Fufa Property and Hevol Real Estate in relation to certain car parking spaces located at Daxing District (大興區) and Fengtai District (豐台區), Beijing, with an aggregated floor area of 5,436.0 sq.m., and (ii) Donghe Weiye (each of Fufa Property, Donghe Weiye and Hevol Real Estate, an “**Investment Property Owner**” and collectively, the “**Investment Property Owners**”) in relation to certain shop premises (collectively with the car parking spaces, the “**Investment Properties**”) located at Shijingshan District (石景山區), Beijing, with an aggregated floor area of 3,475.9 sq.m. While we have fully paid the consideration to own the beneficial interest of the Investment Properties, the legal title of such Investment Properties remain with the Investment Property Owners due to local policy limitation. As advised by the PRC Legal Advisers, the legal title of such Investment Properties, complementing to the residential properties, are only allowed to be held by the individual owners of such residential properties if such residential property owners have purchased such Investment Properties, and the administrative registration system cannot process the attempted registrations for transfer of legal title to any person other than residential property owners. So long as those Investment Properties have not been sold to residential property owners the legal title of which is owned by the Investment Property Owners. As such, we were unable to register the transfer of legal title of such Investment Properties to any person other than the relevant residential property owners with the local authority and the legal title of such Investment Properties remained with the Investment Property Owners. We were not aware of such local policy limitation at the time when we entered into agreements with the Investment Property Owners with an intention to acquire those Investment Properties prior to the Track Record Period. After we became aware of such policy limitation after settlement of the relevant consideration, we negotiated with the Investment Property Owners to enter into the existing arrangements in relation to the Investment Properties. Pursuant to the existing contractual arrangement, we have, among other things, the right to, at our Group’s sole discretion, decide to dispose of, or otherwise deal with the Investment Properties. Accordingly, only when we instruct the Investment Property Owners to dispose of, or otherwise sell the Investment Properties to individual property owners of the residential properties, the legal title of which

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will be transferred to the relevant property owners. Otherwise, the legal title of the Investment Properties shall remain with the Investment Property Owners and shall be subject to the existing contractual arrangements.

Such contractual arrangements with the Investment Property Owners include:

- our Group is entitled to (i) exclusively occupy, use and receive income from the relevant Investment Properties; and (ii) at its sole discretion, decide to dispose of or otherwise deal with the relevant Investment Properties. For the avoidance of doubt, the relevant Investment Property Owners were also excluded to enjoyment of such rights;
- to ensure the rights granted to our Group mentioned above, the Investment Property Owners have agreed to mortgage the relevant Investment Properties to our Group and such charges will only be released until either such properties are sold and transferred to third party purchasers as decided by our Group or the applicable local rules and regulations are amended so as to make it possible to transfer the legal title to our Group, whichever is earlier; and
- if our Group decides to sell any Investment Property to a third party, the relevant Investment Property Owners shall assist our Group to complete such transaction and our Group are entitled to receive all the sales proceeds received from the third party purchaser.

Pursuant to the contractual arrangements set out above, most of the Investment Properties have been mortgaged by the relevant Investment Property Owner to our Group to secure the interest of our Group. Pursuant to PRC laws and regulations, our prior consent is required for any transfer of the mortgaged Investment Properties, and without our consent, the transfer of the legal title of mortgaged Investment Properties cannot be registered with the competent authorities. Moreover, our Group possesses the physical title certificate of the Investment Properties, so that the relevant Investment Property Owner is unable to re-mortgage the Investment Properties without our consent. To provide additional protection for our Group against any risk of the Investment Property Owners breaching the contractual arrangements, Mr. Liu, our Controlling Shareholder and the ultimate controlling shareholder of the Investment Property Owners, agreed to indemnify our Group for any losses, liabilities, damages, costs, charges, fees, expenses and fines incurred or suffered by our Group as a result of any breach by Investment Property Owners under the contractual arrangements in relation to the Investment Properties.

During the Track Record Period, our Group generated stable income through leasing out and managing our Investment Properties. The rental income generated in respect of leasing of our Investment Properties amounted to RMB0.8 million for the years ended 31 December 2016, 2017 and 2018.

Based on the above and as advised by our PRC Legal Advisers, our Directors believe that notwithstanding the fact that we do not hold the legal title of the relevant Investment Properties, we are entitled to enjoy all the rights attached to such properties as if we were the legal owner, except those specified to the owner of the properties, for example, the assignment and transfer of such properties to third parties require the Investment Property Owner to step in to fulfil all the legal and procedural requirements for a valid property transfer. Furthermore,

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we manage the relevant Investment Properties and provide services to our residents through the commercial contractual arrangements set out above which we do not aim to obtain the legal title of the relevant Investment Properties. Thus, according to our PRC Legal Advisers, such contractual arrangements shall not be deemed as circumvent or violate the aforesaid local policy (i.e. the Rule 32 of the Measures for the Administration of Properties in Beijing) and our Group will not be subject to any penalties, fines, consequences or legal liabilities, given that the legal title of the relevant Investment Properties had not been transferred and that the relevant local policy does not impose any fine or administrative penalty whatsoever. As advised by our PRC Legal Advisers, pursuant to the PRC Contract Law (中華人民共和國合同法), such contractual arrangements are legal and enforceable and are in compliance with applicable PRC laws and regulations. Based on the above, although our Directors are not aware of any precedents of such arrangements, our Directors consider that (i) the contractual arrangements in relation to the Investment Properties are not made to circumvent the PRC laws and regulations, are commercial arrangements which comply with PRC laws, and regulations and are fair and reasonable and in the best interest of our Group, allowing us to provide services to the residents and generate income from the Investment Properties; and (ii) there are sufficient risk management measures to safeguard our interests.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered one domain name in the PRC. In addition, we are in the process of registering four trademarks in the PRC and one trademark in Hong Kong. As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

We entered into the Transitional Trademark Licencing Agreement (as defined in the section headed “Connected Transactions” in this prospectus) dated 30 November 2018 with Hevol Investment, pursuant to which Hevol Investment agreed to grant to our Group licences to use certain trademarks registered by Hevol Investment in the PRC at nil consideration from the date of the Transitional Trademark Licencing Agreement until the completion of the registration of Beijing Hongsheng as the registered owner of the trademarks. For further details on the Transitional Trademark Licencing Agreement, please refer to the sections headed “Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements – Transitional Trademark Licencing Agreement” and “Statutory and General Information – B. Further Information about the Business of our Company – 2. Our Material intellectual property rights” in this prospectus.

LEGAL PROCEEDINGS

As advised by our PRC Legal Advisers, we had not been subject to significant fines or legal action involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date. From time to time we may be involved in legal proceedings or disputes in the ordinary course of business, such as contract disputes with our customers and suppliers. As at the Latest Practicable Date, there were no material litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our financial position or results of operations.

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HISTORICAL NON-COMPLIANCE INCIDENTS

We set out below the non-compliance incidents relating to us during the Track Record Period and up to the Latest Practicable Date:

I. Social insurance and housing provident fund contribution

<u>Non-compliance incidents</u>	<u>Legal consequences and potential maximum penalties</u>	<u>Remedies and rectification measures taken</u>
We failed to register for and make full contributions to social security and housing provident funds for some of our employees as required by the PRC laws and regulations. These non-compliance incidents occurred primarily because (i) 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, and/or (ii) our inadequate understanding of the requirements under PRC laws and regulations.	<p>Our PRC Legal Advisers have advised us that, under PRC laws and regulations, 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 within a certain period, 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 PRC Legal Advisers have also advised us that, we will be fined in the range of RMB10,000 to RMB50,000 for failing to make the housing provident fund registration for employees within the prescribed time limit. In the event that any competent government authority is of the view that the housing provident fund contributions we made did not satisfy the requirements under PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period. If we fail to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC.</p>	<p>We obtained written and/or oral confirmations with the competent PRC authorities of certain cities and county stating that (i) the social security and housing provident fund contributions were made by relevant subsidiaries and branch offices in compliance with the respective laws and regulations and/or local policies and practice; and (ii) no administrative penalty had been imposed. Our PRC Legal Advisers are of the opinion that the relevant written/oral confirmations are addressed by competent authorities. In addition, as at the Latest Practicable Date, all of the employees for whom we did not make full amount of contribution have undertaken that they would not claim from us their portions of the social security and housing provident funds and would waive any rights against us.</p> <p>We have started arranging the payment of social insurance and housing provident funds contributions for our employees in accordance to local practice and policies since January 2019.</p> <p>We made provisions in the amounts of RMB4.5 million, RMB4.3 million and RMB4.7 million in respect of such underpaid amount of social security and housing provident fund for the years ended 31 December 2016, 2017 and 2018, respectively, for certain of our PRC subsidiaries and branch offices which we had not obtained confirmation from competent PRC authorities.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group for all incidents of non-compliance, violation or breach related to the making of the social insurance and housing provident fund contribution.</p>

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<u>Non-compliance incidents</u>	<u>Legal consequences and potential maximum penalties</u>	<u>Remedies and rectification measures taken</u>
		<p>Our Directors are of the view that no further provision is required to be made, based on (i) confirmations from local social insurance and housing provident fund authorities as stated above; (ii) their assessment of various factors including the nature and amount of the non-compliance; (iii) the indemnity from our Controlling Shareholder in favour of our Group in respect of non-compliance; and (iv) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labour arbitration tribunals or the PRC courts regarding disputes in this regard.</p> <p>In view of the above, our PRC Legal Advisers are of the view that the risk of us being penalised for our aforementioned failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees is remote. Our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the Listing.</p>

II. Disclosure on related party transactions

Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>We failed to make timely disclosure in relation to certain non-recurring related party transactions with Hevol Real Estate Group during the financial year 2016 (“FY2016”), including (i) related party fund possessions (which were mainly advances to related parties and payment on behalf of related parties in the ordinary course of business) in the aggregate amount of approximately RMB9.5 million for FY2016 (which consisted a number of transactions with relatively small amounts) and (ii) certain proposed related party acquisitions for the intention of business expansion, which we entered into letter of intent/sales and purchase agreement and paid the refundable deposits/considerations, but had not been subsequently completed/materialised due to the difficulties in implementation and/or final intention of both parties following feasibility studies and further negotiation with the related party vendor. All of the abovementioned related party transactions had been authorised and approved by the management which consisted of the board of directors of our NEEQ listed group at the relevant times and were properly maintained in our Group’s accounting books and records.</p> <p>These non-compliance incidents occurred primarily because we were not fully aware of all the relevant NEEQ disclosure requirements and inadvertently believed that (i) all related party fund possessions for FY2016 shall be dealt with by making subsequent disclosure in the same manner as the related party transactions for the financial year 2015 occurred before NEEQ listing and on a collective basis considering the practicability of frequent disclosure of the dispersed transactions and (ii) the proposed related party acquisitions (which had yet to be completed at the relevant time) shall be disclosed at a later stage when such transactions have been completed. We were not aware that such related party transactions for FY2016, which happened after the NEEQ listing should be (i) approved by directors’ and shareholders’ meeting in accordance with local laws and regulations and disclose in an announcement for its nature as “non-recurring related party transactions” according to article 35 of the Rules of the National Equities Exchange and Quotations System on Information Disclosure of Listed Companies (for Trial Implementation) (全國中小企業股份轉讓系統掛牌公司資訊披露細則(試行)); and</p>	<p>As advised by our PRC Legal Advisers, under the Supervision and Administration of Unlisted Public Companies (Revision 2013)(非上市公眾公司監督管理辦法(2013年版)), if companies and other information disclosure obligors failing to disclose information in accordance with the provisions or disclose information with false records, misleading statements or major omissions, they shall be ordered to rectify, be given a warning, and shall, in addition, be fined not less than RMB300,000 but not more than RMB600,000. The person directly in charge and the other persons directly responsible shall be given a warning and shall, in addition, be fined not less than RMB30,000 but not more than RMB300,000 each.</p> <p>Under the Detailed Rules of Implementation of the Self-regulatory Measures and Disciplinary Penalty Measures of National Equities Exchange and Quotations (for Trial Implementation) (全國中小企業股份轉讓系統自律監管措施和紀律處分實施辦法(試行)), if National Equities Exchange and Quotations Limited Liability Company (the “NEEQ Company”) is of the view that we violate the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation)(全國中小企業股份轉讓系統業務規則(試行)), the NEEQ Company may require us to explain, illustrate and disclose relevant issues, engage intermediary agencies in verifying issues and issuing opinions, develop supervisory talk, submit written acceptance, issue alarm letters, order to make correction, suspend the relief of stock sales moratorium of controlling shareholder and, report the illegal acts to CSRC, and circulate a notice of criticism or publicly reprimand in accordance with the circumstances and make records in credit archives.</p>	<p>All outstanding balances due from Hevol Real Estate Group resulted from the aforesaid related party fund possessions and the deposits for the proposed related party acquisitions have been fully settled by January 2017.</p> <p>We had published an announcement to subsequently disclose our related party transactions for FY2016 by 31 May 2017, followed by a re-published 2016 annual report with corresponding adjusted disclosure on 15 June 2017.</p> <p>Our Group has formulated policies and manuals on connected transactions and notifiable transactions which will be effective after the Listing of our Group. The policies include (i) the definitions and categories of connected persons and connected transactions; (ii) identification of connected transactions (the company secretary will be responsible for collecting signed declarations of independence and information on connected transactions); (iii) procedures to approve new connected transactions; (iv) procedures to manage information disclosure of connected transactions; (v) the roles of responsible persons in monitoring and disclosing notifiable transactions; (vi) classification of notifiable transactions and method of publications; and (vii) procedures of the announcement of disclosable transactions (including reporting procedures, procedures for issuing announcements and circulars, and suspension of trading arrangements).</p> <p>In particular, we have established an internal control and compliance department, which is headed by Mr. Li Lap Keung (who is also our company secretary). Our finance department is required to present all potential transactions with our related parties and other material transactions to the internal control and compliance department for review. The internal control and compliance department shall assess whether such potential transactions will constitute any disclosure and approval requirements in accordance with Listing Rules and reviewed before passing to Board for approval by Mr. Li Lap Keung.</p> <p>Mr. Li Lap Keung will be responsible for handling secretarial matters and day-to-day compliance matters of our Group on a full time basis, including compliance on internal control and compliance with the Listing Rules (including the relevant disclosure and approval requirements). For further details on Mr. Li Lap Keung’s background and qualification, please refer to the section headed “Directors and Senior Management” of this prospectus.</p>

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Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>(ii) disclosed in an announcement within 2 trading days after the occurrence for its nature as “related party fund transactions” according to article 46 of the Rules of the National Equities Exchange and Quotations System on Information Disclosure of Listed Companies (for Trial Implementation). As such, we failed to comply with the Rules of the National Equities Exchange and Quotations System on Information Disclosure of Listed Companies (for Trial Implementation), the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (全國中小企業股份轉讓系統業務規則(試行)) and the Supervision and Administration of Unlisted Public Companies (Revision 2013) (非上市公眾公司監管管理辦法(2013年版)) owing to the inadvertent failure to disclose the proposed related party transactions for FY2016 in a timely manner.</p> <p>As a result of the non-compliance, the China Securities Regulatory Commission issued us a warning letter (警示函) on 1 August 2017 and the National Equities Exchange and Quotations Company Limited issued us a decision letter for self-disciplinary regulatory measures (自律監管措施決定書) on 23 January 2018 (together, the “Warning Letters”) which stated that we and our personnel shall enhance our corporate governance and avoid recurrence of such matters.</p> <p>As at the Latest Practicable Date, we are not aware of any ongoing investigation of any penalty or punishment by the relevant regulatory bodies subsequent to the receipt of the warning letters.</p>		<p>In order to strengthen our corporate governance, our Board consists of 4 independent non-executive directors out of a total of 8 board members. Among our independent non-executive directors, Mr. Fan Chi Chiu, who possesses years of experience in corporate finance and Hong Kong listed companies, could further strengthen our internal control measures and corporate governance so as to ensure our Group’s compliance with the relevant requirements under the Listing Rules.</p> <p>In addition to the abovementioned enhancements of our management team and internal control policies, we have also engaged (i) external legal advisers on Hong Kong law to advise us on legal compliance matters in Hong Kong, and (ii) a compliance adviser to advise us on the Listing Rules after the Listing.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity jointly and severally for all incidents of non-compliance, violation or breach related to disclosure on related party’s transactions.</p> <p>Taking into consideration that (i) we have not been subject to any penalty or punishment by relevant regulatory bodies other than the Warning Letters, (ii) there were no other public shareholders other than our Controlling Shareholders at the relevant time of NEEQ listing, and (iii) we have already delisted from NEEQ, our Directors are of the view, and our PRC Legal Advisers further confirm, that we will not be subject to any further legal consequences as a result of the aforesaid non-compliance.</p>
<p>To continuously improve our corporate governance and internal control and to prevent recurrence of non-compliance in the future, we have adopted the following measures:</p> <ul style="list-style-type: none"> • we have implemented a policy on managing social security and housing provident funds, and the timely disclosure of related party transactions for our employees; • as mentioned above, we have formulated policies and manuals on connected transactions and notifiable transactions, as well as an internal control manual on our internal control functions and compliance with the Listing Rules; • 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; • we have engaged our PRC Legal Advisers to provide legal advice on compliance with PRC laws and regulations, and provide trainings to our senior management and legal staff; 		

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- we have arranged for our Directors and senior management to attend training programmes on applicable laws and regulations, including the Listing Rules, provided by our legal advisers on Hong Kong law prior to Listing. We will continue to arrange various training programmes to be provided by the PRC Legal Advisers engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;
- we have engaged Southwest Securities (HK) Capital Limited as our compliance adviser to advise our Directors and management on matters relating to the Listing Rules for the term commencing on the Listing Date and ending on the date of dispatch of the annual report of our Company in respect of our financial results for the first full financial year commencing after the Listing Date;
- our Board has established an audit committee to oversee our internal control, including, among others, reviewing and making recommendation to our Board in respect of our Group's policies and practices on internal control, reviewing and monitoring our Group's policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board, contained in any constitutional documents of our Group, or imposed by the Listing Rules and other applicable laws, regulations, rules and codes, and ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and monitoring the implementation of our Group's plan to maintain compliance with own risk management standards;
- we have engaged an independent external consulting firm as our independent internal control consultant to review our internal controls for certain areas of some of our entities based on a pre-agreed scope and approach, and have implemented the recommendations made by the independent internal control consultant;
- we have adopted a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;
- we have strengthened training for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance awareness and responsibility;
- we have appointed Mr. Li Lap Keung, our company secretary and head of our internal control and compliance department, to handle the secretarial matters and day-to-day compliance matters of our Group, including compliance on internal control and compliance with the Listing Rules (including the relevant disclosure and approval requirements). He is also responsible for the timetable and the procedures for convening annual general meetings, including sending out notice for meeting and laying the respective financial statements;
- we have appointed Ms. Hu Hongfang as our chief financial officer to ensure the compliance of our operation with relevant laws and regulations. For her biographical details, please refer to the section headed "Directors and Senior Management – Directors – Executive Directors" in this prospectus;

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- we will appoint Miao & Co. (in association with Han Kun Law Offices), our legal advisers on Hong Kong law, to continue advise us on listing and legal compliance matters in Hong Kong after the Listing; and
- when necessary, we will engage external professionals, including auditors, internal control consultants and other advisers to render professional advice in relation to compliance with other statutory and regulatory requirements and matters relating to internal control, as applicable to our Group from time to time.

Views of our Directors and the Sole Sponsor

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, our Directors are of the view and the Sole Sponsor concurs 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.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing, we had engaged an independent external consulting firm (the “**Internal Control Consultant**”) to perform an internal control review (the “**IC Review**”) on our internal control system based on an agreed scope. The Internal Control Consultant conducted its work between August and September 2018, and identified certain key findings and relevant recommendations, including the need to develop and/or enhance the following: (i) formal mechanisms and policies for handling and monitoring the listing requirements such as conflict of interest, code of conduct, inside information and the process of information disclosures; (ii) policies and procedures in relation to operational processes, including but not limited to, cash and treasury management, human resources and payroll management as well as information security management; and (iii) policies and procedures in relation to financial reporting in particular for the monitoring and reporting of related party and connected transactions. Accordingly, we implemented or will implement before the Listing, a series of rectification measures in response to these key findings and recommendations, including but not limited to (i) establishing policies and procedures for handling the Listing Rules requirements (i.e. requiring employees to declare existing and potential conflict of interests, monitoring their compliance with code of conducts, and updating and publishing the lists of connected persons and notifiable transactions regularly); (ii) standardising the policy and procedures against corrupt and fraudulent activities (i.e. handling complaints, ensuring protection for whistle-blower and conducting internal investigations); (iii) formalising risk assessment and management mechanism (i.e. formulating and implementing a selection and monitoring policy in relation to sub-contractors engaged by our Group, handling complaints from customers, and monitoring and examining the compliance with our internal rules and

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manuals by our employees); (iv) retaining records of reviews and approvals. The Internal Control Consultant performed a follow-up review in November 2018 to review the status of implementation of the remediation measures taken by us in response to the key findings and relevant recommendations and did not have any further recommendation in the follow-up review. After considering the implementation of the enhancement measures as well as the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details on the major risks identified by our management, please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry” in this prospectus. In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. Please refer to the section headed “Financial Information – Quantitative and Qualitative Disclosures about Market Risks” in this prospectus for further details on these financial risks.

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

- we have adopted stringent quality control and supervision measures and procedures to prevent risks. For further details, please refer to the paragraph headed “Quality Control” in this section;
- our human resources department is responsible for monitoring and examining the compliance with our internal rules and manuals by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws to reduce our legal risks;
- we have put in place internal procedures for handling complaints from customers;
- we have also formed an audit committee comprising of three independent non-executive Directors as part of our measures to improve risk management and corporate governance. The primary duties of the audit committee is to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors; and
- we have established a selection and monitoring policy in relation to the sub-contractors engaged by our Company, including the selection criteria and the review systems to deal with any complaints/negligence with regards to the sub-contractors.

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Moreover, we have adopted or will adopt before the Listing, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorising our finance and audit department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

OUR CASH MANAGEMENT POLICY

We receive payments of property management fees from property owners and residents to our subsidiaries and branches. We have a bank account and cash management system to manage the cash inflows and outflows of our subsidiaries and branches. We monitor the work process of our subsidiaries and branches and approve their bank account opening and cash payments at our Beijing headquarters. Moreover, we set the upper limit of cash on hand for our subsidiaries and branches and require them to keep their cash on hand at or below RMB20,000 in their ordinary course of business. Our subsidiaries and branches shall keep all cash received every day in the custody of a safe deposit box and deposit all cash received at least once per week in their bank accounts before noon on the same day. We take stock of the bank accounts and check the cash balances daily and reconcile the accounts monthly to lower the risks associated with cash management. Furthermore, we encourage our subsidiaries and branches to settle their transactions through bank transfers to enhance the safety of funds management.

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AWARDS AND RECOGNITIONS

Over the years, we have received various awards from various entities in the PRC in recognition of, among other things, our overall strength and reputation, business scale, service quality and customer satisfaction in the PRC property management industry. The table below sets out our major industry and business awards and recognitions since 2009 and up to the Latest Practicable Date:

Year of grant	Honour/Award	Awarding entity
2019	Ranked 44th in Top 100 Property Management Companies of China (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2018	Ranked 48th in Top 100 Property Management Companies of China (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2017	Ranked 58th in Top 100 Property Management Companies of China (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2016	Ranked 68th in Top 100 Property Management Companies of China (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2015	Top 100 Property Management Companies in Overall Strength (中國物業管理綜合實力百強企業)	China Property Management Institute (中國物業管理協會)
2015	Beijing four-star property management demonstration project (北京市四星級物業管理示範項目)	Beijing Municipal Commission of Housing & Urban-Rural Development (北京市住房和城鄉建設委員會)
2012	Exemplary Property Management Residential Community (物業管理示範住宅社區)	Beijing Municipal Commission of Housing & Urban-Rural Development (北京市住房和城鄉建設委員會)
2012	Beijing Scenic Garden-Style Community (首都綠化美化花園式單位)	Beijing Municipal Bureau of Afforestation (General Office of Capital Afforestation Commission (北京市人民政府首都綠化委員會)
2011	Leading Fire Safety Management Enterprise (消防安全管理先進單位)	Beijing Haidian District Fireproof Safety Committee (北京市海淀區防火安全委員會)
2009	Outstanding Property Management Service Enterprise (優秀物業服務企業)	Beijing Municipal Commission of Housing & Urban-Rural Development (北京市住房和城鄉建設委員會)

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LICENCES AND PERMITS

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material approvals, permits, licences and certificates for our operations from the relevant government authorities, all of which are valid and current, and we had been in compliance in all material respects with the applicable PRC laws and regulations, except as otherwise disclosed under the paragraph headed “Historical Non-compliance Incidents” in this section.

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You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes set out in the Accountants' Report included in Appendix I to this prospectus. The Accountants' Report contains our audited consolidated financial statements as at and for the years ended 31 December 2016, 2017 and 2018. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a reputable market player in the property management industry in China and were ranked 44th amongst the "2019 Top 100 Property Management Enterprises" (2019 中國物業服務百強企業) in terms of overall strength of property management by the China Index Academy. We provide a wide range of property management services and value-added services to property owners, residents and property developers in our managed projects. Our three main business segments, namely, property management services, community-related services and property developer-related services, form an integrated service spectrum covering the industry value chain of property management. As at 31 December 2018, we managed 34 property management projects across 11 cities in the PRC with a total contracted GFA of 8.2 million sq.m. and a total revenue-bearing GFA of 6.3 million sq.m.

We have experienced continuous growth during the Track Record Period in terms of revenue. Our revenue increased by 16.0% from RMB169.0 million for the year ended 31 December 2016 to RMB196.0 million for the year ended 31 December 2017. Our revenue increased by 14.5% from RMB196.0 million for the year ended 31 December 2017 to RMB224.5 million for the year ended 31 December 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands with limited liability on 28 May 2018. In preparation for the Listing, we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. Following the Reorganisation, our Company became the holding company of all the subsidiaries currently comprising our Group. For further details on the basis of presentation of our financial information included herein, please refer to Note 1.2 to the Accountants' Report in Appendix I to this prospectus.

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those factors set out in the section headed “Risk Factors” in this prospectus and those set out below:

Contracted GFA and Revenue-bearing GFA

Our financial position and results of operations are affected by the amount of revenue-bearing GFA, which is generally proportional to our contracted GFA. During the Track Record Period, we generated a majority of our revenue from our property management services, which amounted to RMB115.9 million, RMB136.3 million and RMB155.3 million, accounting for 68.6%, 69.6% and 69.2% of our total revenue, for the years ended 31 December 2016, 2017 and 2018, respectively. Accordingly, our revenue growth depends on our ability to maintain our business and further increase our revenue-bearing GFA, which in turn is affected by our ability to renew existing preliminary management service agreements and property management service agreements, as well as secure new agreements. During the Track Record Period, we experienced a continual growth in our revenue-bearing GFA, which was 5.4 million sq.m., 5.9 million sq.m. and 6.3 million sq.m. as at 31 December 2016, 2017 and 2018, respectively. As at 31 March 2019, our revenue-bearing GFA further increased to 6.4 million sq.m.

The significant majority of revenue from our property management services during the Track Record Period was generated from our property management projects which Hevol Real Estate Group had developed. The revenue generated from properties developed by Hevol Real Estate Group accounted for 97.3%, 96.3% and 95.9% of our total revenue from our property management services for the year ended 31 December 2016, 2017 and 2018, respectively. In addition, we have been making efforts to expand our provision of property management services to properties developed by Independent Third Party property developers, in order to gain additional revenue sources and diversify our property management portfolio. We have been experiencing a steady growth in our revenue-bearing GFA from properties developed by Independent Third Party property developers during the Track Record Period, which amounted to 0.3 million sq.m., 0.4 million sq.m. and 0.5 million sq.m. as at 31 December 2016, 2017 and 2018, respectively. Our ability to manage an increasing number of properties developed by Independent Third Party property developers will complement our services provided to properties developed by Hevol Real Estate Group and drive the continuing growth of our revenue and profits.

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Business Mix

Our business and results of operations are affected by our business mix. Our profit margins vary across different business segments, namely property management services, community-related services and property developer-related services. Any change in the structure of revenue contribution from our three business segments may affect our overall profit margin. The following table sets forth the revenue contribution by business segment during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Property management services	115,927	68.6	136,340	69.6	155,327	69.2
Community-related services	40,903	24.2	51,438	26.2	55,252	24.6
Property developer-related services	12,197	7.2	8,249	4.2	13,871	6.2
Total	169,027	100.0	196,027	100.0	224,450	100.0

The following table sets forth the gross profit and gross profit margin by business segment during the Track Record Period.

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB'000)</i>	<i>%</i>	<i>(RMB'000)</i>	<i>%</i>	<i>(RMB'000)</i>	<i>%</i>
Property management services	27,787	24.0	36,723	26.9	48,388	31.2
Community-related services	20,756	50.7	28,099	54.6	29,936	54.2
Property developer-related services	1,934	15.9	1,299	15.7	2,168	15.6
Total	50,477	29.9	66,121	33.7	80,492	35.9

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In general, the gross profit margin for our community-related services is higher than the gross profit margin for our property management services which are more labour-intensive than the other business segment. While the majority of our revenue was derived from our property management services during the Track Record Period, which we expect will continue to be our main revenue source in the future, we strive to maintain and further improve our overall gross profit margin in the long term as (i) we continue to expand the scope of community-related services and (ii) we seek to lower our cost of services, especially labour costs, through our efforts in standardisation and smart management of our service process, as well as upgrade of IT systems.

Service Pricing

Our financial condition and results of operations are affected by our ability to maintain or increase the fee rates we charge for our services. We primarily focus on the provision of property management services for our property management projects and we price our services by taking into account a number of factors, including (i) the types and locations of the properties; (ii) the scope and quality of the services provided; (iii) our budgeted expenses; (iv) our targeted profit margins; (v) profiles of property owners and residents; (vi) local government's guidance on pricing of property management fees (where applicable); and (vii) the pricing of comparable properties. The balance between pricing our services competitively while ensuring our service quality and an attractive profit margin is key to our financial conditions and results of operations.

For the years ended 31 December 2016, 2017 and 2018, the average property management fee rate charged for our property management projects with reference to revenue-bearing GFA was RMB1.78 per sq.m./month, RMB1.92 per sq.m./month and RMB2.04 per sq.m./month, respectively. We strive to maintain or raise our property management fee rates when renewing the preliminary property management service agreements or property management service agreements to maintain and further improve our overall profit margin in response to the enhancements to the relevant standards and scope of our property management services as well as increases in our costs of services. Our ability to raise our fee rates is also affected by our ability to uphold and enhance our brand recognition.

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For illustration purposes only, we set out below a sensitivity analysis of our profit for the year or period with reference to the fluctuation of average property management fees during the Track Record Period. The following table demonstrates the effect of the hypothetical decrease in average property management fees on our revenue from property management services and profit, while all other factors remain unchanged:

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total profit for the year	18,734	21,870	16,886
Assuming 5% decrease in our average property management fees			
Impact on revenue from our property management services	(5,796)	(6,817)	(7,766)
Impact on profit for the year	(4,357)	(5,459)	(6,143)
Assuming 15% decrease in our average property management fees			
Impact on revenue from our property management services	(17,389)	(20,451)	(23,299)
Impact on profit for the year	(13,071)	(16,376)	(18,430)

Staff Costs and Sub-contracting Costs

Our results of operations are affected by our ability to manage our staff costs. During the Track Record Period, staff costs are the largest component of our cost of sales and amounted to RMB44.6 million, RMB47.2 million and RMB53.6 million, respectively, representing 37.6%, 36.3% and 37.2% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively. Staff costs included under cost of sales consist primarily of salaries and other benefits for our employees who provide property management services, community value-added services and property developer-related services. The general increase in staff costs was mainly attributable to an increasing number of our service employee headcount as a result of our business expansion as well as increases in minimum wages and market rates for skilled labour.

We have also outsourced certain property management services such as cleaning, greening and gardening services to independent service providers. For the years ended 31 December 2016, 2017 and 2018, our sub-contracting costs amounted to RMB36.9 million, RMB46.0 million and RMB52.5 million, accounting for 31.2%, 35.4% and 36.5% of our total cost of sales, respectively. The increases in sub-contracting costs during the Track Record Period were mainly attributable to the increase in our revenue-bearing GFA as we expanded our business scale. To cope with the rising staff costs and sub-contracting costs, we have implemented a number of cost-saving measures, including standardisation and smart management of our service process as well as upgrades of IT systems in order to reduce our reliance on manual labour and manage our staff costs while ensuring consistent service quality. For further details on our cost-saving measures, please refer to the section headed “Business – Our Property Management Services – Standardisation and smart management of our service process” in this prospectus.

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

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total profit for the year	18,734	21,870	16,886
Assuming 10% increase in our staff costs and sub-contracting costs			
Impact on our total cost of sales	(8,156)	(9,324)	(10,610)
Impact on profit for the year	(6,144)	(7,424)	(8,384)
Assuming 15% increase in our staff costs and sub-contracting costs			
Impact on our total cost of sales	(12,234)	(13,985)	(15,916)
Impact on profit for the year	(9,215)	(11,136)	(12,573)

Competition

Our industry is highly competitive and fragmented, and we compete with other property management service providers on a number of aspects, including business scale, brand recognition, profitability, financial resources and adequacy of financing, price, diversity of services offering and service quality. Please refer to the sections headed “Business – Competition” and “Industry Overview – Competition” in this prospectus for further details. We were ranked 44th among the Top 100 Property Management Companies in terms of overall strength of property management in 2019, according to the CIA. Whether we can compete effectively with our competitors and further improve our market position depends on our ability to solidify, implement and materialise our competitive strengths. If we fail to compete and increase our contracted GFA and revenue bearing GFA, we may lose market position in our business segments, and our revenue and profitability may decrease.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our operating results and financial position are based on our audited consolidated financial statements, which have been prepared in accordance with IFRSs.

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The selection of critical accounting policies, the estimates and judgements, and other uncertainties affecting the application of other policies and sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our significant accounting policies are summarised in Note 2 in the Accountants' Report in Appendix I to this prospectus. We believe that the critical accounting policies involve the most significant estimates and judgements used in preparing the consolidated financial statements, which are important for understanding our financial condition and results of operations.

Revenue Recognition

We provide property management services, community-related services and property developer-related services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

- *Property management services.* For property management services, we bill a fixed amount for services provided on a monthly basis and recognises 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 property management projects under lump-sum basis, we act as a principal and is primary responsible for providing the property management services to the property owners, we recognise 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 recognise 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.
- *Community-related services.* For community-related services, revenue is recognised when the related community value-added services are rendered. Community-related services are normally billable immediately upon the services are rendered.
- *Property developer-related services.* Property developer-related services include mainly (i) on-site sales assistance services, which primarily included cleaning and security services to property developers, which are billed and settled based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided; and (ii) property delivery related and other consulting services with property developers which are billed on a monthly basis and revenue is recognised when the services are provided.

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Significant Accounting Judgements and Estimates

In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis and may result in material adjustment to the carrying amount of assets and liabilities in the future. Please refer to Note 3 of the Accountants' Report in Appendix I to this prospectus for significant accounting judgements and estimates.

Our Group has consistently applied IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" throughout the Track Record Period. The adoption of IFRS 9 and IFRS 15 does not have significant impact on our Group's financial position and performance as compared to IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 18 "Revenue".

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets out our selected consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	169,027	196,027	224,450
Cost of sales	<u>(118,550)</u>	<u>(129,906)</u>	<u>(143,958)</u>
Gross profit	50,477	66,121	80,492
Other income	5,403	1,827	1,573
Administrative expenses	(29,927)	(37,251)	(39,966)
Listing-related expenses	<u>–</u>	<u>–</u>	<u>(11,694)</u>
Profit before income tax	25,953	30,697	30,405
Income tax expense	<u>(7,219)</u>	<u>(8,827)</u>	<u>(13,519)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>18,734</u>	<u>21,870</u>	<u>16,886</u>

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Revenue

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

- *Property management services.* We provide a range of property management services to property owners, residents and property developers, including, among others, security, cleaning, greening, gardening as well as repair and maintenance services.
- *Community-related services.* We provide home-living services, such as property repair and maintenance services, collection of electricity tariffs, purchase assistance, accommodation and catering services, as well as organising community events and services to property owners and residents. We also sub-contract or lease out common areas and facilities to generate stable revenue.
- *Property developer-related services.* We provide sales assistance services during the selling phase of the property management projects to facilitate the sale of development projects, including on site cleaning, quality control and customer services.

The following table sets out a breakdown of our total revenue by business segment for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	115,927	68.6	136,340	69.6	155,327	69.2
Community-related services	40,903	24.2	51,438	26.2	55,252	24.6
Property developer-related services	12,197	7.2	8,249	4.2	13,871	6.2
Total	169,027	100.0	196,027	100.0	224,450	100.0

Our overall revenue increased by 16.0% from RMB169.0 million for the year ended 31 December 2016 to RMB196.0 million for the year ended 31 December 2017. Our overall revenue increased by 14.5% from RMB196.0 million for the year ended 31 December 2017 to RMB224.5 million for the year ended 31 December 2018. Such revenue growths were primarily attributable to an increase in revenue from property management services and an increase in revenue from community-related services, which was in line with our business growth.

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Revenue from property management services

Revenue from property management services increased during the Track Record Period, primarily driven by the increase in the total revenue-bearing GFA as a result of our business expansion. The table below sets out our (i) contracted GFA, (ii) revenue-bearing GFA, and (iii) number of property management projects managed with revenue-bearing GFA, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Contracted GFA ⁽¹⁾	6,812	7,204	8,160
Revenue-bearing GFA	5,440	5,908	6,347
Number of property management projects managed with revenue-bearing GFA ⁽⁴⁾	30	30 ⁽²⁾	34 ⁽³⁾

Notes:

- (1) Means the total GFA managed/to be managed by our Group, including, among others, revenue bearing GFA which is the total GFA under our Group's management and we receive property management fees from customers.
- (2) During the year ended 31 December 2017, while we obtained one new property management project, one existing property management project had been terminated. The terminated property management project was related to a military establishment. As there was change of policy in 2017 which prohibited private management companies to provide property management service to military establishments, the property management service agreement was then terminated.
- (3) During the year ended 31 December 2018, our Group was engaged to manage four new property management projects. For further details, please refer to the section headed "Business – Our Property Management Services – Growth of our property management services portfolio" in this prospectus. In addition, among all of our property management projects which provided revenue-bearing GFA, we managed four, three and six properties developed by Independent Third Parties as at 31 December 2016, 2017 and 2018, respectively.
- (4) Our property management projects may be divided into multiple development phases and completed by phases. Our contracted GFA and revenue bearing GFA therefore increased although the number of property management projects following the completion of different development phases remained relatively stable during the Track Record Period.

Revenue from property management services increased by 17.6% from RMB115.9 million for the year ended 31 December 2016 to RMB136.3 million for the year ended 31 December 2017, mainly attributable to an increase in our revenue-bearing GFA. Our revenue-bearing GFA increased by 9.3% from 5.4 million sq.m. as at 31 December 2016 to 5.9 million sq.m. as at 31 December 2017, primarily due to an increasing number of our property management projects in 2017. Such increase in our property management projects from 2016 to 2017 was mainly because (i) we provided property management services for the new phases of our existing property management projects which had been completed and delivered to property owners, such as Caihong Jiayuan (彩虹嘉園) in Beijing, Hehong Guoji (和泓國際) in Shenyang and Shanshui Yangguang (山水陽光) in Harbin in 2017; and (ii) we secured a new property management project, namely Jiangshan Guoji (江山國際), in Chongqing in 2017. In

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addition, the average charging rate of our property management services increased from RMB1.78 per sq.m./month for the year ended 31 December 2016 to RMB1.91 per sq.m./month for the year ended 31 December 2017 as we charged the higher rates for newly property management projects, which also contributed to the increased revenue from property management services from 2016 to 2017.

Revenue from property management services increased by 13.9% from RMB136.3 million for the year ended 31 December 2017 to RMB155.3 million for the year ended 31 December 2018, mainly attributable to an increase in our revenue-bearing GFA. Our revenue-bearing GFA increased by 6.8% from 5.9 million sq.m. as at 31 December 2017 to 6.3 million sq.m. as at 31 December 2018, primarily due to an increasing number of our property management projects in 2018. Such increase in our property management projects from 31 December 2017 to 31 December 2018 was mainly because (i) we provided property management services for the new phases of our existing property management projects which had been completed and delivered to property owners, such as Hehongsiji (和泓四季) in Beijing, Jiariyangguang (假日陽光) in Sanya and Sijiliancheng (四季戀城) in Tianjin, for the year ended 31 December 2018; and (ii) we secured three new property management projects, namely Dexinyuan (德馨苑) in Chengdu, Beichengqiyuan (北城栖院) in Chongqing and Zhangshishuafu museum (張氏帥府博物館) in Shenyang, during the year ended 31 December 2018. In addition, the average charging rate of our property management services increased from RMB1.91 per sq.m./month for the year ended 31 December 2017 to RMB2.0 per sq.m./month for the year ended 31 December 2018 as we charged the higher rates for newly property management projects, which also contributed to the increased revenue from property management services from 2017 to 2018.

Revenue by type of properties

During the Track Record Period, substantially all of our revenue from property management services was derived from residential properties and the remainder was derived from non-residential properties. The table below sets out the breakdowns of (i) our revenue generated from property management services by type of properties; and (ii) revenue-bearing GFA by type of properties, for the periods or as at the dates indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Residential properties	106,366	91.8	5,147	94.6	124,997	91.7	5,568	94.2	141,816	91.3	6,014	94.8
Non-residential properties	9,561	8.2	293	5.4	11,343	8.3	340	5.8	13,511	8.7	333	5.2
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

The proportion of property management service revenue derived from residential properties versus that derived from non-residential properties remained stable during the Track Record Period.

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Revenue by revenue model

During the Track Record Period, we charged property management fees primarily on a lump sum basis, whereas only a limited amount of revenue from property management services charged on a commission basis. The table below sets out the breakdowns of (i) our revenue from property management services by revenue model; and (ii) revenue-bearing GFA by revenue model, for the periods or as at the dates indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Lump sum basis	115,814	99.9	5,321	97.8	136,093	99.8	5,789	98.0	154,807	99.7	6,228	98.1
Commission basis	113	0.1	119	2.2	247	0.2	119	2.0	520	0.3	119	1.9
Total	115,927	100.0	5,440	100.0	136,340	100.0	5,908	100.0	155,327	100.0	6,347	100.0

The proportion of property management service revenue based on fees charged on a lump sum basis versus that based on fees charged on a commission basis remained stable during the Track Record Period.

Revenue from community-related services

We provide community-related services to property owners and residents of our property management projects, which include (i) home living services, (ii) leasing of car parking space, and (iii) leasing of common facilities. The following table sets out a breakdown of our revenue from community-related services by service type for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Revenue		Revenue		Revenue	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Home-living services ⁽¹⁾	17,386	42.5	23,877	46.4	21,776	39.4
Leasing of car parking space	15,348	37.5	19,453	37.8	21,094	38.2
Leasing of common facilities ⁽²⁾	8,169	20.0	8,108	15.8	12,382	22.4
Total	40,903	100.0	51,438	100.0	55,252	100.0

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Notes:

- (1) Home-living services include property repair and maintenance services, collection of electricity tariffs, purchase assistance, accommodation and catering services, as well as community events and management services, to property owners and residents.
- (2) Leasing of common facilities include the leasing or sub-contracting of certain common areas such as swimming pools, advertising spaces and other public facilities.

Home-living services

Revenue derived from our home living services increased during the Track Record Period, primarily due to (i) an increasing number of our property management projects, which had been completed by property developers and delivered to property owners, and hence required our home-living services; and (ii) an increase in revenue from our electricity tariff collection services on behalf of commercial property owners in more property management projects.

Leasing of car parking space

Revenue from leasing of car parking space increased during the Track Record Period due to the increasing number of leased car-parking spaces.

Leasing of common facilities

Revenue from leasing of common facilities remained relatively stable from the year ended 31 December 2016 to the year ended 31 December 2017. Such revenue increased by 52.7% from RMB8.1 million for the year ended 31 December 2017 to RMB12.4 million for the year ended 31 December 2018, primarily due to an increase in fee income from leasing of advertising spaces as (i) an increase in the area of advertising spaces as we managed more properties during the Track Record Period; and (ii) the leasing prices are adjusted upward progressively in accordance with contractual terms.

Revenue from property developer-related services

We provide a wide range of property developer-related services such as sales assistance services as well as management consultation services. For the years ended 31 December 2016, 2017 and 2018, our revenue generated from provision of property developer-related services amounted to RMB12.2 million, RMB8.2 million and RMB13.9 million, respectively.

Revenue from property developer-related services experienced fluctuations during the Track Record Period, which was directly related to the property development cycle and relevant selling schedules of projects under development for contracted property developers, in particular, Hevol Real Estate Group. Hevol Real Estate Group had fewer properties under development which reached the selling stages and required our sales assistance services during the year ended 31 December 2017. On the other hand, Hevol Real Estate Group had more properties under development which reached the selling stages and required our sales assistance services for the year ended 31 December 2018 when compared to that for the year ended 31 December 2017.

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Cost of Sales

Our cost of sales represents costs and expenses directly attributable to the provision of our services, comprising (i) staff costs in relation to facilities management and maintenance services, repair and engineering services as well as customer services, (ii) sub-contracting costs, which mainly include fees paid for the services outsourced to sub-contractors, such as security, greening, cleaning and repair and maintenance services, (iii) utilities, (iv) repairs and maintenance costs, (v) material costs which comprise mainly costs and expenses for materials and components used for property repair and maintenance services in our value-added services, (vi) sales taxes, and (vii) others, which mainly comprise depreciation of investment properties and rental expenses. The following table sets out the breakdown of cost of sales in terms of absolute amount and as a percentage of total cost of sales for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Amount	% of cost of sales	Amount	% of cost of sales	Amount	% of cost of sales
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
Staff costs	44,614	37.6	47,218	36.3	53,583	37.2
Sub-contracting costs	36,943	31.2	46,017	35.4	52,521	36.5
Utilities	16,431	13.9	16,587	12.8	18,253	12.7
Repairs and maintenance costs	5,775	4.9	7,164	5.5	8,231	5.7
Material costs	5,346	4.5	5,983	4.6	4,582	3.2
Sales taxes	3,473	2.9	1,420	1.1	1,237	0.9
Others	5,968	5.0	5,517	4.2	5,551	3.8
Total	118,550	100.0	129,906	100.0	143,958	100.0

During the Track Record Period, the main factors affecting our cost of sales were staff costs and sub-contracting costs include (i) the increase in staff costs during the Track Record Period was mainly due to an increasing number of our service employee headcount as a result of our business expansion and an increasing level of average salaries; and (ii) the increase in sub-contracting costs during the Track Record Period was mainly due to an increase in our revenue-bearing GFA under management resulting from the expansion of our property management service business. The general increase of cost of sales during the Track Record Period is in line with our expanding scale of business operations and an increasing number of properties under our management.

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Gross Profit and Gross Profit Margin

Our overall gross profit represents our overall revenue less overall cost of sales. Our overall gross profit increased by 31.0% from RMB50.5 million for the year ended 31 December 2016 to RMB66.1 million for the year ended 31 December 2017. Our overall gross profit further increased by 21.7% from RMB66.1 million for the year ended 31 December 2017 to RMB80.5 million for the year ended 31 December 2018. Such increases were primarily attributable to increases in gross profits from our business segments as further explained below.

Our overall gross profit margin represents our gross profit as a percentage of overall revenue. Our overall gross profit margin increased from 29.9% for the year ended 31 December 2016 to 33.7% for the year ended 31 December 2017. Our overall gross profit margin further increased from 33.7% for the year ended 31 December 2017 to 35.9% for the year ended 31 December 2018. Such increases were primarily attributable to the changes in gross profit margins of our business segments as further explained below. The following table sets out our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Property management services	27,787	24.0	36,723	26.9	48,388	31.2
Community-related services	20,756	50.7	28,099	54.6	29,936	54.2
Property developer-related services	1,934	15.9	1,299	15.7	2,168	15.6
Total	50,477	29.9	66,121	33.7	80,492	35.9

Property management services

Gross profit from our property management services generally increased during the Track Record Period, primarily attributable to (i) an increase in our revenue-bearing GFA as a result of an increasing number of our property management projects during such period; and (ii) an increasing level of the average charging rate of our property management services during such period.

Gross profit margin of our property management services increased from 24.0% for the year ended 31 December 2016 to 26.9% for the year ended 31 December 2017, and further increased from 26.9% for the year ended 31 December 2017 to 31.2% for the year ended 31 December 2018. Such increases during the Track Record Period were primarily because the average charging rate of our property management services increased from RMB1.78 per

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sq.m./month for the year ended 31 December 2016 to RMB1.91 per sq.m./month for the year ended 31 December 2017, and further to RMB2.0 per sq.m./month for the year ended 31 December 2018. We have managed an increasing number of new properties which comprise the new phases of our existing property management projects as well as the new property management projects. The charging rates of our property management services for newly developed property management projects are higher compared to those for relatively older projects. In addition, as we have increased the number of our property management projects through business expansion, we are able to take advantage of our economies of scale operations for cost saving and operational efficiency. We believe that the gross profit margin of our property management services is expected to remain stable with a slight increasing trend as we continuously procure new preliminary management service agreements and property management service agreements which will have a relatively higher average contract value.

Community-related services

Gross profit from our community-related services generally increased during the Track Record Period, primarily because (i) we provided more services to an increasing number of properties under our management comprising the new property management projects and the newly completed phases of existing property management projects which require our value-added services; and (ii) we profited from our electricity tariff collection services on behalf of commercial property owners in an increasing number of property management projects.

Gross profit margin of our community-related services increased from 50.7% for the year ended 31 December 2016 to 54.6% for the year ended 31 December 2017, and remained stable at 54.2% for the year ended 31 December 2018. Such increases during the Track Record Period was primarily attributable to an increasing number of leasing car-parking spaces with relatively higher gross profit margin as we managed more properties from the new phases of our existing property management projects, the fixed maintenance and operation costs of which had been borne in the previous phases of these projects. We believe that we will continue expanding our service offerings and focusing on the services with a relatively higher level of profit margin.

Property developer-related services

Gross profit from our property developer-related services decreased by 32.8% from RMB1.9 million for the year ended 31 December 2016 to RMB1.3 million for the year ended 31 December 2017. Gross profit from our property developer-related services increased by 66.9% from RMB1.3 million for the year ended 31 December 2017 to RMB2.2 million for the year ended 31 December 2018. Such changes were in line with the number of projects under development by Hevol Real Estate Group, our largest customer during the Track Record Period, which reached the selling phases and required our sales assistance services during the Track Record Period.

Gross profit margin of our property developer-related services remained relatively stable during the Track Record Period, primarily because the relevant fee rates charged to property developers as well as the relevant sub-contracting costs and staff costs remained relatively stable due to market conditions.

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Administrative Expenses

Administrative expenses include (i) staff costs, (ii) provision for impairment on trade and other receivables, (iii) travelling and entertainment expenses, (iv) professional fees, (v) conference and training costs for our employees, (vi) telecommunication and utilities expenses, (vii) depreciation and amortisation, (viii) office expenses and (ix) others. The following table sets out the breakdown of administrative expenses for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Amount	% of administrative expenses	Amount	% of administrative expenses	Amount	% of administrative expenses
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
Staff costs	18,973	63.4	24,451	65.6	25,030	62.6
Provision for impairment on trade and other receivables	2,354	7.9	2,129	5.7	2,986	7.5
Travelling and entertainment expenses	2,241	7.5	2,741	7.4	3,012	7.5
Professional fees	1,350	4.5	1,763	4.7	2,352	5.9
Conference and training costs	870	2.9	1,166	3.1	1,664	4.2
Telecommunication and utilities expenses	813	2.7	939	2.5	1,029	2.6
Depreciation and amortisation	849	2.8	882	2.4	670	1.7
Office expenses	797	2.7	613	1.6	434	1.1
Others	1,680	5.6	2,567	6.9	2,789	7.0
Total	29,927	100.0	37,251	100.0	39,966	100.0

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Staff costs comprise primarily salaries and benefits for our human resources, administration, finance and audit personnel. Travelling and entertainment expenses comprise primarily travelling expenses and reception expenses for administrative purposes. Professional fees comprise primarily legal and professional fees incurred in relation to listing, and maintaining our listing status, on the NEEQ. Conference and training costs comprise primarily expenses for employees to attend conferences and training sessions for administrative purposes. Telecommunication and utilities expenses comprise primarily communication expenses and utilities fees incurred for administrative purposes. Depreciation and amortisation are related primarily to office property and equipment used for administrative purposes. Office expenses comprised primarily business administrative expenses and postal fees. Others include primarily motor vehicle expenses, miscellaneous tax expenses, stamp duty and sundry bank fees.

Our administrative expenses accounted for 17.7%, 19.0% and 17.8% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Our administrative expenses generally increased during the Track Record Period, especially in staff costs, which was primarily due to an increasing number of our administration staff headcount and the increasing level of average salaries of our staff.

Other Income

Other income includes mainly (i) bank interest income, (ii) gain on disposal of investment properties, (iii) unconditional government subsidy income, and (iv) sundry income. The following table sets out the breakdown of other income for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	<i>Amount</i> <i>(RMB'000)</i>	<i>% of</i> <i>other</i> <i>income</i>	<i>Amount</i> <i>(RMB'000)</i>	<i>% of</i> <i>other</i> <i>income</i>	<i>Amount</i> <i>(RMB'000)</i>	<i>% of</i> <i>other</i> <i>income</i>
Gain on disposal of investment properties	3,079	57.0	1,423	77.9	–	–
Unconditional government subsidy income	2,068	38.3	45	2.5	1,190	75.7
Bank interest income	165	3.1	242	13.2	293	18.6
Sundry income	91	1.7	117	6.4	90	5.7
Total	5,403	100.0	1,827	100.0	1,573	100.0

Gain on disposal of investment properties represents the sale of car-parking spaces to related parties. During the Track Record Period, we recorded gain on disposal of investment properties of RMB3.1 million, RMB1.4 million and nil for the years ended 31 December 2016, 2017 and 2018, respectively.

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Unconditional government subsidy income represents financial support funds provided by local government authorities. During the Track Record Period, we received a subsidy from the Beijing municipal government to encourage the use of alternative energy, and a subsidy from the Chongqing municipal government to encourage the creation of jobs. These subsidies are typically granted on a recurrent basis with periodic payments during the year, but the amount of each payment could vary.

Income Tax Expense

Income tax expense consists of current tax and movements in deferred tax assets and liabilities. Current tax represents the estimated tax payable on the taxable income for the reporting period, using tax rates enacted at the end of such reporting period, plus any adjustment to tax payable in respect of previous reporting periods. For more details on the deferred tax assets and liabilities, please refer to note 18 of the Accountants' Report in Appendix I to this prospectus. The following table sets out the breakdown of income tax expense for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Current tax – PRC enterprise			
income tax			
Current year	8,025	8,121	9,805
Deferred tax			
Origination and reversal of temporary differences	(806)	(403)	4,104
Effect on deferred tax balances resulting from changes in tax rates	–	1,109	(390)
	(806)	706	3,714
Income tax expense	7,219	8,827	13,519

According to the applicable PRC tax regulations, the general corporate income tax rate in PRC is 25% on the estimated assessable profits. The preferential income tax rate applicable to certain of our Group entities in the PRC within the scope of the China's Western Development Programme including Chongqing, Guizhou and Chengdu, was 15%, for the year ended 31 December 2017 and 2018, and is expected to remain effective until 2021.

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Pursuant to the relevant laws and regulation in the PRC, certain of our PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2016, 2017 and 2018. In addition, in accordance with the “Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises”, the small low-profit enterprises with an annual taxable income of less than RMB300,000 for the year ended 31 December 2016, RMB500,000 for the year ended 31 December 2017 and RMB1.0 million for the year ended 31 December 2018, were also entitled a tax concession for 50% of its taxable income.

For the years ended 31 December 2016 and 2017, our effective income tax rates were 27.8% and 28.8% respectively, which were higher than the general corporate income tax rate of 25%, primarily attributable to (i) tax effect of tax losses not recognised for certain of our PRC entities and (ii) certain expenses which are not deductible for tax purpose. For the year ended 31 December 2018, our effective income tax rate was 44.5%, which was higher than the general corporate income tax rate of 25%, primarily attributable to the incurrence of listing-related expenses which were non-tax deductible and the effect on deferred tax expense arising from withholding tax of the unremitted profit of certain of our PRC entities.

During the Track Record Period, we had made all the required tax filings under the relevant tax laws and regulations in the PRC and had paid all applicable taxes when due. We did not have any disputes or unresolved tax issues which may have material impact on us with the relevant tax authorities during the Track Record Period.

RESULTS OF OPERATIONS

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Overall revenue increased by 14.5% to RMB224.5 million for the year ended 31 December 2018 from RMB196.0 million for the year ended 31 December 2017, mainly attributable to an increase in revenue from all of our three business segments which was in line with our business growth.

- *Property management services.* Revenue from property management services increased by 13.9% to RMB155.3 million for the year ended 31 December 2018 from RMB136.3 million for the year ended 31 December 2017. This increase was mainly attributable to an increase in the revenue-bearing GFA, which increased by 6.8% to 6.3 million sq.m. as at 31 December 2018 from 5.9 million sq.m. as at 31 December 2017 as we managed more properties from 2017 to 2018.

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- *Community-related services.* Revenue from community-related services increased by 7.4% to RMB55.3 million for the year ended 31 December 2018 from RMB51.4 million for the year ended 31 December 2017. This increase was primarily due to (i) an increase in revenue from our electricity tariff collection services on behalf of commercial property owners in more property management projects from 2017 to 2018 as a result of increased revenue-bearing GFA; and (ii) an increase in fee income from advertising space leasing as we managed more properties which provide more advertising spaces for leasing and the leasing prices are adjusted upward progressively in accordance with contractual terms from 2017 to 2018.
- *Property developer-related services.* Revenue from property developer-related services increased by 68.2% to RMB13.9 million for the year ended 31 December 2018 from RMB8.2 million for the year ended 31 December 2017. This increase was primarily due to an increase in service fees through the provision of property maintenance, cleaning and security services as Hevol Real Estate Group had more properties under development which reached the selling stages and required our sales assistance services in 2018.

Cost of sales

Overall cost of sales increased by 10.8% to RMB144.0 million for the year ended 31 December 2018 from RMB129.9 million for the year ended 31 December 2017. This increase was mainly attributable to (i) an increase in staff costs of RMB6.4 million as a result of an increasing average number of our service employee headcount and an increase in employee related benefits which were in line with our increased revenue for the same period; (ii) an increase in sub-contracting costs of RMB6.5 million for security, greening, cleaning and repair and maintenance services outsourced to sub-contractors, which was in line with the increased revenue-bearing GFA during such period; (iii) an increase in expenditure on utilities of RMB1.7 million; and (iv) an increase of repairs and maintenance costs of RMB1.1 million as we expanded our business.

Gross profit and gross profit margin

As a result of the foregoing, overall gross profit increased by 21.7% to RMB80.5 million for the year ended 31 December 2018 from RMB66.1 million for the year ended 31 December 2017. Overall gross profit margin increased to 35.9% for the year ended 31 December 2018 compared with 33.7% for the year ended 31 December 2017.

- *Property management services.* Gross profit from our property management services increased by 31.8% from RMB36.7 million for the year ended 31 December 2017 to RMB48.4 million for the year ended 31 December 2018, primarily attributable to (i) an increase in our revenue-bearing GFA as we managed more properties from 2017 to 2018; and (ii) an increasing level of the average charging rate of our property management services during the year.

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- *Community-related services.* Gross profit from our community-related services increased by 6.5% from RMB28.1 million for the year ended 31 December 2017 to RMB29.9 million for the year ended 31 December 2018, primarily because (i) we provided value added services to an increasing number of property management projects; and (ii) we profited from our electricity tariff collection services on behalf of commercial property owners in more property management projects from 2017 to 2018. Gross profit margin of our community-related services remained stable at 54.6% and 54.2% for the year ended 31 December 2017 and 2018, respectively.
- *Property developer-related services.* Gross profit from our property developer-related services increased by 66.9% from RMB1.3 million for the year ended 31 December 2017 to RMB2.2 million for the year ended 31 December 2018, primarily attributable to an increasing number of projects under development for our contracted property developers in 2018. Gross profit margin of our property developer-related services remained relatively stable from 15.7% for the year ended 31 December 2017 to 15.6% for the year ended 31 December 2018.

Administrative expenses

Administrative expenses increased by 7.3% to RMB40.0 million for the year ended 31 December 2018 from RMB37.3 million for the year ended 31 December 2017. This increase was mainly attributable to an increase of (i) RMB0.9 million in provision for impairment on trade and other receivables, primarily as a result of an increase in trade receivables due to the increasing number of our property management projects; (ii) RMB0.6 million in professional fees, and (iii) RMB0.6 million in staff costs. For details on trade receivables, please refer to the paragraph headed “– Trade Receivables” in this section.

Other income

Other income decreased by 13.9% to RMB1.6 million for the year ended 31 December 2018 from RMB1.8 million for the year ended 31 December 2017. This decrease was primarily attributable to no gain on disposal of investment properties during the year, while our Group recorded gain on disposal of investment properties of RMB1.4 million for the year ended 31 December 2017, which were partially offset by the increase in receipt of unconditional government subsidy from the Beijing municipal government for our use of alternative energy in 2018.

Income tax expense

Income tax expense increased by 53.2% to RMB13.5 million for the year ended 31 December 2018 from RMB8.8 million for the year ended 31 December 2017, which was primarily due to the increase of the deferred tax expense arising from the withholding tax of the unremitted profit. Our effective tax rate increased from 28.8% for the year ended 31 December 2017 to 44.5% for the year ended 31 December 2018, primarily due to the effect on deferred tax expense arising from withholding tax and non-deductible listing expense for tax purpose during the year ended 31 December 2018.

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Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year decreased by 22.8% to RMB16.9 million for the year ended 31 December 2018 from RMB21.9 million for the year ended 31 December 2017. Net profit margin decreased to 7.5% for the year ended 31 December 2018, compared to 11.2% for the year ended 31 December 2017. The adjusted net profit margin (excluding the listing expenses) of approximately 12.7% for the year ended 31 December 2018, represented a slight increase as compared to 11.2% for the year ended 31 December 2017 and was in line with the increase in gross profit margin in the corresponding years.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue

Overall revenue increased by 16.0% to RMB196.0 million for the year ended 31 December 2017 from RMB169.0 million for the year ended 31 December 2016. This increase was mainly attributable to an increase in revenue from our property management service and an increase in revenue from community-related services, which is in line with our business growth.

- *Property management services.* Revenue from our property management services increased by 17.6% to RMB136.3 million for the year ended 31 December 2017 from RMB115.9 million for the year ended 31 December 2016. This increase was mainly attributable to an increase in our revenue-bearing GFA of 9.3% to 5.9 million sq.m. as at 31 December 2017 from 5.4 million sq.m. as at 31 December 2016 due to our business expansion as we managed more properties from 2016 to 2017.
- *Community-related services.* Revenue from community-related services increased by 25.8% to RMB51.4 million for the year ended 31 December 2017 from RMB40.9 million for the year ended 31 December 2016. This increase was primarily due to (i) an increase in revenue from home-living services of RMB6.5 million in relation to our electricity tariff collection services on behalf of commercial property owners in more property management projects from 2016 to 2017 due to our increase in revenue-bearing GFA; and (ii) an increase in leasing income of car-parking spaces of RMB4.1 million.
- *Property developer-related services.* Revenue from property developer-related services decreased by 32.4% to RMB8.2 million for the year ended 31 December 2017 from RMB12.2 million for the year ended 31 December 2016. This decrease was primarily because Hevol Real Estate Group had fewer properties under development which reached the selling stages and required our sales assistance services in 2017 compared to those in 2016.

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Cost of sales

Overall cost of sales increased by 9.6% to RMB129.9 million for the year ended 31 December 2017 from RMB118.6 million for the year ended 31 December 2016. This increase was mainly attributable to (i) an increase in staff costs of RMB2.6 million as a result of an increasing number of our service employee headcount which was in line with our increased revenue for the same period; (ii) an increase in sub-contracting costs of RMB9.1 million for outsourced greening, cleaning, security services, repair and maintenance services, which was in line with the increased revenue-bearing GFA from 2016 to 2017; and (iii) an increase in repairs and maintenance cost of RMB1.4 million as we expanded our business during such period.

Gross profit and gross profit margin

As a result of the foregoing, overall gross profit increased by 31.0% to RMB66.1 million for the year ended 31 December 2017 from RMB50.5 million for the year ended 31 December 2016. Overall gross profit margin increased to 33.7% for the year ended 31 December 2017 from 29.9% for the year ended 31 December 2016.

- *Property management services.* Gross profit from our property management services increased by 32.2% from RMB27.8 million for the year ended 31 December 2016 to RMB36.7 million for the year ended 31 December 2017, primarily attributable to (i) an increase in our revenue-bearing GFA as we managed more properties from 2016 to 2017; and (ii) an increasing level of the average charging rate of our property management services during such period. Gross profit margin of our property management services increased from 24.0% for the year ended 31 December 2016 to 26.9% for the year ended 31 December 2017, primarily because (i) the average charging rate of our property management services increased from RMB1.78 per sq.m./month for the year ended 31 December 2016 to RMB1.91 per sq.m./month for the year ended 31 December 2017; and (ii) we are able to take advantage of our economies of scale operations for cost saving and operational efficiency.
- *Community-related services.* Gross profit from our community-related services increased by 35.4% from RMB20.8 million for the year ended 31 December 2016 to RMB28.1 million for the year ended 31 December 2017, primarily because (i) we provided value-added services to an increasing number of property management projects; and (ii) we profited from our electricity tariff collection services on behalf of commercial property owners in more property management projects from 2016 to 2017. Gross profit margin of our community-related services increased from 50.7% for the year ended 31 December 2016 to 54.6% for the year ended 31 December 2017, primarily attributable to an increasing number of leasing car-parking spaces with relatively higher gross profit margin as we manage more properties from the new phases of our existing property management projects that were delivered to our property owners.

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- *Property developer-related services.* Gross profit from our property developer-related services decreased by 32.8% from RMB1.9 million for the year ended 31 December 2016 to RMB1.3 million for the year ended 31 December 2017, primarily because Hevol Real Estate Group had fewer properties under development which reached the selling stages and required our sales assistance services in 2017 compared to 2016. Gross profit margin of our property developer-related services remained relatively stable from 15.9% for the year ended 31 December 2016 to 15.7% for the year ended 31 December 2017.

Administrative expenses

Administrative expenses increased by 24.5% to RMB37.3 million for the year ended 31 December 2017 from RMB29.9 million for the year ended 31 December 2016. This increase was mainly attributable to (i) an increase in staff costs of RMB5.5 million as we employed more administrative staff to cope with our business expansion and an increase in the average level of salaries for the administrative staff; (ii) an increase in travelling and entertainment expenses of RMB0.5 million for our business expansion; and (iii) an increase in professional fees of RMB0.4 million.

Other income

Other income decreased by 66.2% to RMB1.8 million for the year ended 31 December 2017 from RMB5.4 million for the year ended 31 December 2016 as we recorded a decrease gain on disposal of investment properties of RMB1.4 million for the year ended 31 December 2017, compared to RMB3.1 million for the year ended 31 December 2016 and a decrease in government subsidy income from RMB2.1 million for the year ended 31 December 2016 to RMB45,000 for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by 22.3% to RMB8.8 million for the year ended 31 December 2017 from RMB7.2 million for the year ended 31 December 2016. This increase was primarily attributable to our increase in profit before income tax. Our effective tax rate increased from 27.8% for the year ended 31 December 2016 to 28.8% for the year ended 31 December 2017, primarily attributable to (i) the tax effect of tax losses not recognised for certain of our PRC entities and (ii) certain expenses which are not deductible for tax purpose.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by 16.7% to RMB21.9 million for the year ended 31 December 2017 from RMB18.7 million for the year ended 31 December 2016. Net profit margin is relatively stable at 11.1% and 11.2% for the years ended 31 December 2016 and 2017, respectively.

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NET CURRENT ASSETS

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>(unaudited)</i>
Current assets				
Inventories	17	24	68	36
Trade and other receivables	74,393	81,064	85,072	69,839
Bank balances and cash	76,285	113,297	134,417	131,226
	<u>150,695</u>	<u>194,385</u>	<u>219,557</u>	<u>201,101</u>
Current liabilities				
Contract liabilities	48,984	58,900	73,116	70,828
Trade and other payables	79,436	78,831	87,950	76,994
Lease liabilities	–	–	–	909
Income tax liabilities	8,979	11,048	14,442	5,915
	<u>137,399</u>	<u>148,779</u>	<u>175,508</u>	<u>154,646</u>
Net current assets	<u>13,296</u>	<u>45,606</u>	<u>44,049</u>	<u>46,455</u>

We had net current assets as at 31 December 2016, 2017 and 2018, respectively. Our net current assets position as at each of these dates was mainly attributable to our trade and other receivables, and bank balances and cash, which were partially offset by our contract liabilities, trade and other payables, and current income tax liabilities. Our net current assets remained stable at RMB46.5 million as at 30 April 2019 and RMB44.0 million as at 31 December 2018, respectively.

Our net current assets decreased to RMB44.0 million as at 31 December 2018 compared to RMB45.6 million as at 31 December 2017, primarily attributable to (i) an increase in trade and other payables of RMB9.1 million as we outsourced more sub-contracting services and purchased more materials for our expanded business scale; (ii) an increase in contract liabilities of RMB14.2 million as a result of an increasing number of property management projects in 2018 as compared to 2017; and (iii) an increase in income tax liabilities of RMB3.4 million, which were partially offset by (i) an increase in bank balances and cash of RMB21.1 million; and (ii) an increase in trade and other receivables of RMB4.0 million as we provided services to an increasing number of property management projects from 2017 to 2018.

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Our net current assets increased from RMB13.3 million as at 31 December 2016 to RMB45.6 million as at 31 December 2017. The increase in the amount of RMB32.3 million was primarily attributable to (i) an increase in bank balances and cash of RMB37.0 million as we generated more cash from operations and disposal of investment properties; and (ii) an increase in trade and other receivables of RMB6.7 million, which were partially offset by an increase in contract liabilities of approximately RMB9.9 million as a result of our business expansion.

Working Capital

Our Directors are of the opinion that, after taking into account of the financial resources available to us including the estimated net proceeds of the Global Offering, and our internally generated funds, we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

We did not have any outstanding indebtedness as at 31 December 2016, 2017 and 2018, respectively. Except for lease liabilities as disclosed in the table below, as at 30 April 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any banking facilities, any unutilised banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding. We did not have any plan for material external debt financing.

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(unaudited)</i>
Lease liabilities				
– current liabilities	–	–	–	909
– non-current liabilities	–	–	–	1,889
	–	–	–	2,798
	–	–	–	2,798

Our Group has adopted IFRS 16 for the accounting period beginning on or after 1 January 2019 as stated in Note 2.1.1 to the Accountant's Report in Appendix I to this Prospectus. As such, we recognised the right-of-use assets and lease liabilities in our Group's consolidated statement of financial position as at 1 January 2019 and 30 April 2019, respectively. As at 30 April 2019, our Group had current and non-current lease liabilities amounted to RMB909,000 and RMB1.9 million, respectively.

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Investment Properties

The following table sets out the composition of our investment properties as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Opening net book amount	49,244	42,746	33,073
Depreciation	(1,424)	(1,302)	(1,085)
Disposal	(5,074)	(8,371)	–
Closing net book amount	<u>42,746</u>	<u>33,073</u>	<u>31,988</u>

During the Track Record Period, investment properties, which consist of certain car parking spaces and shop premises, decreased from RMB42.7 million as at 31 December 2016 to RMB33.1 million as at 31 December 2017, and further decreased to RMB32.0 million as at 31 December 2018. The decrease in investment properties between 31 December 2016 and 31 December 2017 was mainly due to the disposal of certain car parking spaces to related parties and depreciation. The decrease in investment properties between 31 December 2017 and 31 December 2018 was due to depreciation.

For details of investment properties, please refer to the section headed “Business – Properties – Contractual property interest” in this prospectus.

Property interest and property valuation

The statement below shows the reconciliation of aggregate amounts of certain properties as selected in our audited consolidated financial information as at 31 December 2018 as set forth in Appendix I to this prospectus with the valuation of these properties as at 31 December 2018 as set forth in Appendix III to this prospectus.

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RMB'000

Net carrying amount of the properties being valued by the Property Valuer as at 31 December 2018	
Investment properties	31,988
Less: Depreciation during the period from 1 January 2019 to 31 March 2019	(271)
Net book value as at 31 March 2019	31,717
Less: Investment properties with no commercial value	<u>31,717</u>
Valuation of properties owned by our Group as at 31 March 2019 as set out in the property valuation report in Appendix III to this prospectus	<u><u>–</u></u>

Deferred tax assets

Our deferred tax assets amounted to RMB4.6 million, RMB3.9 million and RMB4.8 million as at 31 December 2016, 2017 and 2018, respectively.

As at 31 December 2016, 2017 and 2018, our Group had unutilised tax losses of approximately RMB15.5 million, RMB17.7 million and RMB15.9 million respectively to carry forward against future taxable income, while no deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. In particular, our Group's unutilised tax losses available during the Track Record Period were mainly attributable to:

- The unutilised tax losses of Beijing Hongsheng was approximately RMB5.2 million, RMB7.6 million and RMB10.5 million as at 31 December 2016, 2017 and 2018 respectively, primarily attributable to the professional fees incurred in the preparation for NEEQ listing and during the NEEQ listing period from 2016 to 2018, and the remuneration paid for its directors over the years. No deferred tax assets were recognised for the unutilised tax losses as at 31 December 2016, 2017 and 2018 as Beijing Hongsheng had been an investment holding company with no operation since the Track Record Period to present, and thus our Directors considered that it is not probable for Beijing Hongsheng to generate taxable profits in the foreseeable future.

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- The unutilised tax losses of Shenyang Hevol was approximately RMB6.3 million, RMB6.9 million and RMB4.0 million as at 31 December 2016, 2017 and 2018 respectively, primarily resulted from the operating loss incurred prior to 2015 when its property management projects were still at early stage, and it then began to generate profits for the year ended 31 December 2016. However, during the year ended 31 December 2017, Shenyang Hevol recorded losses of approximately RMB1.4 million mainly attributable to a one-off expenditure for common facilities maintenance incurred during the year. As such, despite that Shenyang Hevol recorded profit of approximately RMB1.4 million and RMB1.7 million, and the company partly utilised the tax losses for the years ended 31 December 2016 and 2018, respectively, no deferred tax asset was recognised during the Track Record Period for our prudent consideration due to (i) the insufficient stable track record of profit, and (ii) the fact that the tax impact of the remaining unutilised tax losses expected to be utilised was considered to be immaterial to our Group.

Inventories

During the Track Record Period, inventories increased from RMB17,000 as at 31 December 2016 to RMB24,000 as at 31 December 2017, and further increased to RMB68,000 as at 31 December 2018. We maintain minimal inventories as we only order materials and components such as switches, LED bulbs and slip resistant materials when the common areas of our property management projects require maintenance or when our customers require our property repair and maintenance services.

Trade and Other Receivables

The following table sets out the composition of our trade and other receivables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	61,201	68,668	66,205
Other receivables	13,192	12,396	18,867
	<u>74,393</u>	<u>81,064</u>	<u>85,072</u>

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Trade Receivables

Trade receivables are mainly related to property management services charged on a lump sum basis as well as value-added service. Property management service income under a lump sum basis are received in accordance with the term of the relevant preliminary management service agreements and property management service agreements. Service income from property management services is due for payment by property owners upon rendering of services. The table below sets out a breakdown of the trade receivables as at the dates indicated.

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Trade receivables			
– Third parties	32,911	37,626	40,894
– Related parties	37,002	41,692	38,947
Sub-total	69,913	79,318	79,841
Less: provision for impairment of trade receivables	(8,712)	(10,650)	(13,636)
Total	61,201	68,668	66,205

Our trade receivables increased from RMB61.2 million as at 31 December 2016 to RMB68.7 million as at 31 December 2017, which was primarily due to the increasing number of our property management projects, leading to the increased revenue from property management services and the corresponding increase in trade receivables with regard to our collection of property management fees, partially offset by provision for impairment of trade receivables. Our trade receivables decreased to RMB66.2 million as at 31 December 2018 as compared to that as at 31 December 2017, primarily because of a provision made for impairment of trade receivables of RMB3.0 million for long outstanding trade receivables for the year ended 31 December 2018.

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We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. The following table sets out an ageing analysis of our trade receivables, based on the invoice date and due date, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
0 – 90 days	24,682	27,047	19,355
91 – 180 days	10,596	5,511	5,238
181 – 365 days	11,134	14,330	6,718
1 to 2 years	13,940	15,791	32,872
Over 2 years	9,561	16,639	15,658
	69,913	79,318	79,841

Note:

- (1) Trade receivables due from Hevol Real Estate Group that were long outstanding for more than 180 days was RMB12.8 million, RMB19.2 million and RMB25.2 million as at 31 December 2016, 2017 and 2018 respectively, representing 18.3%, 24.2% and 31.6% of our trade receivables as at the same dates.

The following table sets out our average trade receivables turnover days for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
Average trade receivables turnover days ⁽¹⁾	98	121	110
Adjusted average trade receivables turnover days ⁽²⁾	57	55	51

Notes:

- (1) Calculated as the average of the opening and closing trade receivables the relevant period divided by revenue for the period, then multiplied by the number of days in the period.
- (2) Calculated as the average of the opening and closing trade receivables of Independent Third Parties divided by revenue from services provided to Independent Third Parties for the period, then multiplied by the number of days in the period.

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Average trade receivables turnover days indicates the average time required for us to collect cash payments from provision of services. Our average trade receivables turnover days for the years ended 31 December 2016 and 2017 were relatively stable. The decrease in trade receivables turnover days and adjusted trade receivables turnover days for the year ended 31 December 2018 was primarily due to a decrease in net trade receivables in respect of property management fees as a result of our Group's effort to facilitate the fee collection process. As at 31 December 2016, 2017 and 2018, our trade receivables that were long outstanding for more than 180 days amounted to RMB34.6 million, RMB46.8 million and RMB55.2 million, respectively. The general increase in long outstanding trade receivables for more than 180 days during the Track Record Period was mainly due to prolonged settlement of trade receivables by Hevol Real Estate Group. The trade receivables which had been previously overdue from Hevol Real Estate Group. Trade receivables due from Hevol Real Estate Group that were long outstanding for more than 180 days was RMB12.8 million, RMB19.2 million and RMB25.2 million as at 31 December 2016, 2017 and 2018 respectively, representing 18.3%, 24.2% and 31.6% of our trade receivables as at the same dates. They were fully settled by February 2019 and Hevol Real Estate Group will settle trade receivables on a regular basis after the Listing.

As at 31 December 2016, 2017 and 2018, we have made a provision of RMB8.7 million, RMB10.7 million and RMB13.6 million, respectively, against the gross amount of trade receivables. The following table sets out the movements in our provision for impairment of trade receivables as at the dates indicated:

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Balance at the beginning of the year	6,984	8,712	10,650
Provision for impairment	1,728	1,938	2,986
Balance at the end of the year/period	8,712	10,650	13,636

We do not give a particular credit period for trade receivable due from property owners or residents. Pursuant to the property management service agreements, we typically charge payments for our property management services by issuing demand notes to property owners and residents either monthly, quarterly or yearly (i) in advance; or (ii) near the end of the relevant period as stipulated in the property management service agreements. We consider the probability of default upon initial recognition of receivables and assess whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period based on available reasonable and supportive forward-looking information and various indicators. In determining the recoverability of our trade receivables, we estimate the recoverable amount by taking into account a number of factors including subsequent settlement status, historical write-off experience and management fee collection rate of the residents in estimating the future cash flows from the receivables.

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The customer service posts charging notice according to the property fee collection plan, and the customer service department distributes payment notice to property owners. We have formulated and implemented various measures to expedite the recovery of our trade receivables, such as (i) recording and monitoring the progress of trade receivables collection by collecting statistics on the collection of property fees at the year-end; (ii) communicating with property owners or residents for any late payment by phone and messages or physical visits; and (iii) sending overdue payment notice to the property owners or residents and following up with frequent payment reminders according to the list of unpaid owners; and (iv) initiating legal proceedings against property owners or residents with significant payments with prolonged delays after repeatedly failed collection attempts.

Current payments are recorded in a timely manner and are checked regularly. The ageing analysis is carried out at least semi-annually for the receivables. In determining the loss provision for trade receivables, we consider whether there is a significant increase in credit risk of the receivables. To assess whether there is a significant increase in credit risk, we compare the risk of default occurring on the receivables as at the reporting date with the risk of default as at the date of initial recognition. As at 31 December 2016, 2017 and 2018, we assessed that the expected loss rate for trade receivables from related parties was 0.5% since the related parties have a strong capacity to meet its contractual cash flow in the near term.

We applied the simplified approach permitted by IFRS 9, which required lifetime expected credit loss (“ECL”) to be recognised from initial recognition of the trade receivables. Our Group calculated the ECL rates by estimating the possible default events over the expected life of the trade receivables, taking into account of our historical experience and forward-looking information, including but not limited to the (i) historical loss patterns of the debtors, (ii) expected debtors’ payment status and (iii) existing or forecasted changes in the business, financial or economic condition that may cause a change in the debtors’ ability to meet the debit obligations. Our Directors assessed the relevant information of the debtors for each of the years ended 31 December 2016 and 2017. Based on the assessment, our Directors considered that there is no material change of the credit risk on our Group’s trade receivables as at 31 December 2017 and calculated the ECL rates for the year ended 31 December 2017 accordingly, which are approximated with those applied for the year ended 31 December 2016 and thus applied the same ECL rates for the two years ended 31 December 2017.

For trade receivables from third parties as at 31 December 2016 and 2017, we recorded an impairment allowance of 40.3% of the trade receivables that are due for more than one year, 15.3% of the trade receivables that are due for a period between 181 to 365 days, 12.3% of the trade receivables that are due for a period between 91 to 180 days and 11.6% of the trade receivables from the date of initial recognition up to 90 days. For trade receivables from third parties as at 31 December 2018, we recorded an impairment allowance of 44.3% of the trade receivables that are due for more than one year, 19.1% of the trade receivables that are due for a period between 181 to 365 days, 16.4% of the trade receivables that are due for a period between 91 to 180 days, and 12.8% of the trade receivables from the date of initial recognition up to 90 days. According to our Group’s policy, for any part of trade receivables over 5 years, we consider such balance as uncollectable and will be partially or fully written-off. During the

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Track Record Period, we were able to collect our trade receivables despite the long collection period and we did not experience any significant difficulty in collecting trade receivables and we did not write off any trade receivables from both related parties and third parties. Therefore, our Directors believe that our credit control policies and procedures are effective in ensuring our Group's ability to manage our credit risk, that sufficient provision has been made to our trade receivables, and that there are no recoverability issue regarding our net trade receivables balance.

Our net trade receivables as at 31 December 2018 amounted to RMB66.2 million, of which at least RMB49.4 million, or 74.6% had been settled as at the Latest Practicable Date.

Other receivables

Other receivables during the Track Record Period comprised primarily deposits, prepayment and other receivables as pre-payment of contract fees and deposits to sub-contractors as well as prepayment of listing expenses, payments on behalf of property owners on water, electricity and utilities expenses, advances to employees for their travelling expenses, amounts due from related parties (which was mainly related to advance to Hevol Real Estate Group and had been fully settled as at the Latest Practicable Date), and deferred IPO costs. The following table sets out our other receivables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Other receivables			
Deposits, prepayment and other receivables	1,975	2,677	3,224
Payment on behalf of property owners	3,786	2,742	4,794
Advances to employees	1,348	435	1,494
Amounts due from related parties	7,637	8,287	7,647
Deferred IPO costs	–	–	3,453
	14,746	14,141	20,612
Sub-total	14,746	14,141	20,612
Less: Provision for impairment of other receivables	(1,554)	(1,745)	(1,745)
	13,192	12,396	18,867
Total	13,192	12,396	18,867

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Our other receivables remained stable as at 31 December 2016 compared to that as at 31 December 2017. Our other receivables then increased to RMB18.9 million as at 31 December 2018 as compared to that as at 31 December 2017, primarily due to deferred IPO costs of RMB3.5 million, which was related to the listing expenses, an increase of payment on behalf of property owners of RMB2.1 million and an increase in advances to employees of RMB1.1 million. Our other receivables from related parties remained stable during the Track Record Period and have been fully repaid in January 2019.

Trade and Other Payables

The following table sets out the composition of our trade and other payables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables	5,438	6,539	7,740
Other payables	73,998	72,292	80,210
	<u>79,436</u>	<u>78,831</u>	<u>87,950</u>

Trade payables

Trade payables represent primarily our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchases of materials and utilities as well as payments of sub-contracting fees. We generally grant credit terms from 30 to 90 days. As at 31 December 2016, 2017 and 2018, our trade payables to third parties were RMB5.4 million, RMB6.5 million and RMB7.7 million, respectively.

Trade payables increased from RMB5.4 million as at 31 December 2016 to RMB6.5 million as at 31 December 2017, and further increased to RMB7.7 million as at 31 December 2018. Such increases were primarily due to an increase in payments of sub-contracting fees to suppliers for repair and maintenance services as we managed more properties during the Track Record Period and some of them with common facilities of increasing age required more repair and maintenance services.

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The following table sets out an ageing analysis of our trade payables, based on the invoice date, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
0 to 30 days	3,820	5,076	5,480
31 to 180 days	1,384	620	1,169
181 to 365 days	37	271	298
Over 1 year	197	572	793
	5,438	6,539	7,740

The following table sets out our average trade payables turnover days for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
Average trade payables turnover days ⁽¹⁾	15	17	18

Note:

- (1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

Average trade payables turnover days indicates the average time we take to make cash payments to suppliers. The average trade payables turnover days increased during the Track Record Period due to an increase in payments of sub-contracting fees as we managed an increasing number of property management projects during such period.

Our trade payables as at 31 December 2018 amounted to RMB7.7 million, of which RMB7.3 million, or 94.1%, had been settled as at the Latest Practicable Date.

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Other payables

Other payables mainly represent (i) accrued charges and other payables on renovation deposits collected from the property owners; (ii) amounts collected on behalf of property owners on utilities fees; (iii) other tax liabilities which primarily represented VAT, surcharges and other tax payables associated with revenue; (iv) staff costs and welfare accruals and (v) amounts due to related parties which had been mainly related to deemed distribution arising from the Reorganisation and had been fully settled by February 2019. The following table sets out our other payables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Other payables			
Accrued charges and other payables	13,724	16,122	20,163
Amounts collected on behalf of			
property owners	38,058	33,713	28,556
Other tax liabilities	2,886	3,550	4,623
Staff costs and welfare accruals	18,784	18,551	21,522
Amounts due to related parties	546	356	5,346
	73,998	72,292	80,210

Our other payables remained relatively stable as at 31 December 2016 compared to 31 December 2017. Our other payables increased to RMB80.2 million as at 31 December 2018 as compared to that as at 31 December 2017, primarily due to an increase in amounts due to related parties of RMB5.0 million mainly in relation to deemed distribution arising from the Reorganisation which were fully settled by February 2019, and an increase in staff costs and welfare accruals of RMB3.0 million.

Contract Liabilities

Contract liabilities represent our obligations to provide the contracted services. Our contract liabilities mainly arise from the advance payments made by customers while the underlying property management services are yet to be provided. During the Track Record Period, our contract liabilities increased from RMB49.0 million as at 31 December 2016 to RMB58.9 million as at 31 December 2017, and further increased to RMB73.1 million as at 31 December 2018 primarily as we managed an increasing number of property management projects.

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Revenue for the years ended 31 December 2016, 2017 and 2018 which was recognised from the contract liabilities at the beginning of the year amounted to RMB41.3 million, RMB38.5 million and RMB45.6 million, accounting for approximately 26.3%, 20.5% and 21.6% of our total revenue from property management services and community-related services for the same periods.

The following table sets out our contract liabilities by business segment as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Property management services	44,980	54,487	68,601
Community-related services	4,004	4,413	4,515
Total	48,984	58,900	73,116

We do not give a particular credit period for trade receivable due from property owners or residents. Pursuant to the property management service agreements, we typically charge payment for our property management services by issuing demand notes to property owners and residents either monthly, quarterly or yearly (i) in advance; or (ii) near the end of the relevant period as prescribed in the property management service agreement. The payment due dates or service fees vary for different property management projects as properties are delivered to property owners or residents in different points of time during the year depending on the delivery of respective development phases of the property management project, therefore, such payment dates are generally not the financial year-end date (i.e. 31 December). Given that the property owners or residents typically make payments monthly, quarterly and yearly outside the financial year-end date, when relevant property owners or residents make payments for the services before the year-end date, the unpaid portion of service fee accrued for the period up to the year-end date will be recognised as trade receivables, and when relevant property owners or residents make advance payments for upcoming service periods, the portion of advance payments received as at the year-end date will be recognised as contract liabilities. According to CIA and to the best knowledge of our Directors, such payment arrangement and pattern by property owners are in line with the industry norm. Given the above payment arrangements and the fact that historically our Group has received more advance payment from our property owners and residents in the second half of the year, significant amounts of advance payments received during the second half of the year which were related to the services to be provided by our Group in the next year were accounted for as contract liabilities for subsequent revenue recognition when the services are provided.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are funding our working capital needs and capital expenditures for the procurement of property, plant and equipment. We meet these cash requirements by relying on our cash at banks and net cash flows from operating activities as our principal source of funding. Following the completion of the Listing, we intend to continue to fund our cash requirements through our net cash flows from operating activities and estimated net proceeds from the Global Offering.

The following table sets out our selected cash flow data for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net cash from operating activities	13,703	28,938	43,076
Net cash from/(used in) investing activities	4,615	8,264	(1,943)
Net cash from/(used in) financing activities	9	(190)	(20,013)
Net increase in cash and cash equivalents	18,327	37,012	21,120
Cash and cash equivalents at beginning of the year	57,958	76,285	113,297
Cash and cash equivalents at end of the year, represented by bank balances and cash	76,285	113,297	134,417

Net Cash from Operating Activities

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services. Cash flows from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items such as depreciation, gain on disposal of investment properties and provisions for impairment on trade and other receivables; (ii) the effects of movements in working capital, such as changes in trade and other receivables, trade and other payables and contract liabilities; and (iii) income tax paid.

For the year ended 31 December 2018, our net cash from operating activities was RMB43.1 million, resulting primarily from our profit before income tax of RMB30.4 million, positive movements in working capital of RMB14.3 million and income tax paid of RMB6.4 million. Our positive movements in working capital primarily reflected an increase in contract liabilities of RMB14.2 million resulted from an increase in prepayment of property management fees due to an increasing number of property management projects and an increase in trade and other payables of RMB4.1 million primarily relating to our trade payable of sub-contracting cost, which were partially offset by an increase in trade and other receivables of RMB4.0 million.

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For the year ended 31 December 2017, our net cash generated from operating activities was RMB28.9 million, resulting primarily from our profit before income tax of RMB30.7 million, positive movements in working capital of RMB1.3 million and income tax paid of RMB6.1 million. Our positive movement in the working capital primarily reflected an increase in trade and other receivables of RMB8.2 million as we managed more properties in 2017, which was partially offset by an increase in contract liabilities of RMB9.9 million primarily attributable to an increase in prepayment of property management fees from property owners as a result of our business expansion.

For the year ended 31 December 2016, our net cash generated from operating activities was RMB13.7 million, resulting primarily from our profit before income tax of RMB26.0 million, negative movements in working capital of RMB6.5 million and income tax paid of RMB7.3 million. Our negative movement in the working capital primarily reflected an increase in trade and other receivables of RMB30.8 million primarily attributable to an increase in prepayment of property management fees from property owners as a result of our business expansion, which was partially offset by an increase in trade and other payables of RMB18.8 million primarily attributable to an increase in amounts of electricity tariffs collected on behalf of commercial property owners in more property management projects in 2016.

Net Cash from/(used in) Investing Activities

Net cash used in investing activities for the year ended 31 December 2018 was RMB1.9 million. This consisted mainly of cash used in purchase of property, plant and equipment as well as intangible assets of RMB2.6 million, offset by a repayment from related parties of RMB0.6 million.

Net cash from investing activities for the year ended 31 December 2017 was RMB8.3 million. This consisted mainly of proceeds from disposal of investment properties of RMB9.8 million. The cash inflows were partially offset by purchase of property, plant and equipment as well as intangible assets of RMB0.9 million.

Net cash from investing activities for the year ended 31 December 2016 was RMB4.6 million. This consisted mainly of proceeds from disposal of investment properties of RMB8.2 million. The cash inflows were partially offset by (i) an increase in amounts due from related parties of RMB2.8 million, and (ii) purchase of property, plant and equipment of RMB0.8 million.

Net Cash from/(used in) Financing Activities

Net cash used in financing activities for the year ended 31 December 2018 was RMB20.0 million. This consisted of (i) payment of dividend of RMB21.6 million; and (ii) payment of deferred IPO costs of RMB3.6 million, which were partially offset by an increase of capital contribution from shareholders of RMB7.6 million.

Net cash used in financing activities for the year ended 31 December 2017 was RMB0.2 million. This primarily consisted of decrease in amounts due to related parties.

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Net cash from financing activities for the year ended 31 December 2016 was RMB9,000. This primarily consisted of increase in amounts due to related parties.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for (i) procuring property, plant and equipment such as furnitures, fixtures, office equipment and motor vehicles; and (ii) purchase of intangible assets such as computer software. The following table sets out our capital expenditures for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Additions of property, plant and equipment	761	775	1,780
Additions of intangible assets	–	105	803
	<u>761</u>	<u>880</u>	<u>2,583</u>

As at 31 December 2016, 2017 and 2018, the carrying amount of our property, plant and equipment was RMB1.9 million, RMB1.9 million and RMB3.0 million, respectively, which consisted of furnitures, fixtures, office equipment and motor vehicles.

As at 31 December 2016, 2017 and 2018, the carrying amount of our intangible assets was RMB0.2 million, RMB0.2 million and RMB0.9 million, respectively, which consisted mainly of computer software.

For further details on the uses of our capital expenditures during the Track Record Period, please refer to the paragraph headed “– Liquidity and Capital Resources – Net cash from/(used in) investing activities” in this section.

We currently expect our capital expenditures for the year ending 31 December 2019 to be RMB1.5 million, which will be used mainly purchase of office equipment, IT system upgrades and purchase of motor vehicles. For other capital expenditures related to use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

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CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our Group leases properties under operating leases, ranging from 1 to 5 years. The leases have varying lease terms and renewal rights. At the end of each reporting period, the total future minimum lease payments payable by our Group under non-cancellable operating leases are as follows:

	As at 31 December		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	791	853	442
In the second to fifth years	634	1,116	675
	<u>1,425</u>	<u>1,969</u>	<u>1,117</u>

As at 31 December 2018, we leased from both related parties boiler room and a clubhouse under lease agreements. The lease term for these properties ranges from one to five years. The minimum lease payments which we had contracted for under the leases as at 31 December 2018 were RMB1.1 million. For details of our related parties, please refer to the paragraph headed “– Related Party Transactions and Balances” in this section.

As at the end of the reporting periods during the Track Record Period, our Group had no capital commitments which were not provided for in our consolidated financial statements.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions

During the Track Record Period, we had certain related party transactions in our normal course of business, including (i) provision of services; (ii) rental expenses, and (iii) disposal of investment properties.

Provision of Property Management and Value-added Services

For the years ended 31 December 2016, 2017 and 2018, we had provided services to related parties amounting to RMB27.7 million, RMB26.2 million and RMB29.1 million, respectively. These are primarily related to property developer-related services and property management fees.

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Rental Expenses

For the years ended 31 December 2016, 2017 and 2018, we had paid Hevol Real Estate Group rental expenses amounted to RMB1.2 million, RMB0.6 million and RMB0.6 million, respectively.

Disposal of investment properties

For the years ended 31 December 2016, 2017 and 2018, we had disposed of certain car-parking spaces to Hevol Real Estate Group with a cash consideration amounting to RMB8.2 million, RMB9.8 million and nil, respectively. We purchased certain car-parking spaces located at newly developed residential properties from Hevol Real Estate Group prior to the Track Record Period with an aim to provide car-parking services to residents and in turn generate stable income through leasing out and managing the relevant car-parking spaces. Since then, demand from residents and property owners for owning their own car-parking spaces increased as more residents moved into the relevant residential properties, we then disposed of certain car-parking spaces to Hevol Real Estate Group, which in turn sold the car-parking spaces to the property owners. For details on the arrangement of acquiring those non-parking spaces from Hevol Real Estate Group, please refer to the section headed “Business – Properties – Contractual property interest” in the prospectus. Such considerations for the disposal of such car-parking spaces during the Track Record Period were below the relevant market value. Given that the car-parking spaces were purchased from Hevol Real Estate Group prior to the Track Record Period at a discount to the market value at that time, our Directors consider that the disposal of such car-parking spaces back to Hevol Real Estate Group at their initial purchase costs were fair and reasonable.

Balances with Related Parties

	As at 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Receivables from related parties			
– Trade receivables (trade nature)	37,002	41,692	38,947
– Other receivables (non-trade nature)	7,637	8,287	7,647
	44,639	49,979	46,594
Payables to related parties			
– Other payables (non-trade nature)	546	356	5,346
	546	356	5,346

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These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that, except for the disposal of investment properties to Hevol Real Estate Group as mentioned above, all material related party transactions during the Track Record Period were conducted on an arm's length basis. All of the outstanding amounts due from and due to our related parties of non-trade nature had been fully settled. The trade receivables which had been previously overdue from Hevol Real Estate Group were fully settled by February 2019 and Hevol Real Estate Group will settle trade receivables on a regular basis after the Listing. For details, please refer to Note 22 of the Accountants' Report set out in Appendix I to this prospectus.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the periods indicated.

	As at/Year ended 31 December		
	2016	2017	2018
Current ratio ⁽¹⁾	1.10	1.31	1.25
Quick ratio ⁽²⁾	1.10	1.31	1.25
Return on equity (%) ⁽³⁾	35.1	29.7	20.5
Return on total assets (%) ⁽⁴⁾	10.5	10.1	6.8

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.
- (3) Return on equity is calculated by dividing net profit for the year by the arithmetic mean of the opening and closing balances of total equity in the relevant period and multiplied by 100%.
- (4) Return on total assets is calculated by dividing net profit for the year by the arithmetic mean of the opening and closing balances of total assets in the relevant period and multiplied by 100%.

Current Ratio and Quick Ratio

Our current ratio as at 31 December 2016, 2017 and 2018 was 1.10, 1.31 and 1.25, respectively, and our quick ratio as at those dates was 1.10, 1.31 and 1.25, respectively. Our current and quick ratios remained stable during the Track Record Period.

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Return on Total Assets

Our return on total assets as at 31 December 2016, 2017 and 2018 was 10.5%, 10.1% and 6.8%, respectively. Our return on total assets is relatively stable for the year ended 31 December 2016 and 2017. Our return on total assets decreased to 6.8% as at 31 December 2018, primarily attributable to a reduction in net profit for the year as a result of the incurrence of listing-related expenses for the year ended 31 December 2018.

Return on Equity

Our return on equity as at 31 December 2016, 2017 and 2018 was 35.1%, 29.7% and 20.5%, respectively. Our return on equity decreased as at 31 December 2017 compared to 31 December 2016 due to an increase in equity base as a result of accumulation of retained profit.

The decrease of return on equity from 29.7% as at 31 December 2017 to 20.5% as at 31 December 2018 was primarily attributable to a reduction in net profit for the year as a result of the incurrence of listing-related expenses for the year ended 31 December 2018.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, mainly including credit risk and liquidity risk. Our Directors review and agree on policies for managing each of these risks. For details of the risks to which we are exposed to, please refer to Note 24 of the Accountants' report in Appendix I to this prospectus.

DIVIDENDS AND DIVIDEND POLICY

In July 2018, a dividend amounting to RMB21.6 million has been proposed, approved and paid by companies now comprising our Group to the then shareholders of Beijing Hongsheng. In February 2019, our Company declared and approved a dividend, amounting to RMB25.4 million based on our Group's distributable profits as at 31 December 2018 to our Shareholders, and such dividend will be paid to our Shareholders before the Listing. Save as aforementioned, our Group did not pay or declare any dividend during the Track Record Period and up to the Latest Practicable Date. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

Any declaration of dividends is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the laws of the Cayman Islands, which provides that dividends may be paid out of profits or the sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be

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able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

As at 31 December 2018, our Company did not have any reserves available for distribution to our Shareholders as our Company was incorporated on 28 May 2018.

LISTING EXPENSES

Total listing expenses (including underwriting commissions) in relation to the Listing are estimated to be RMB45.1 million (assuming an Offer Price of HK\$1.42 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$1.28 and HK\$1.56 per Offer Share). During the Track Record Period, we incurred listing expenses of RMB11.7 million (equivalent to HK\$13.3 million) for the year ended 31 December 2018, which was recognised as Listing-related expenses in our consolidated statements of profit or loss and other comprehensive income. We expect to further incur listing expenses of RMB33.4 million (equivalent to HK\$38.0 million) by the completion of the Listing, of which an estimated amount of RMB16.7 million (equivalent to HK\$19.0 million) will be recognised as deduction from equity and RMB16.7 million (equivalent to HK\$19.0 million), will be charged to our consolidated statement of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. The listing expenses above are the latest practicable estimates and are provided for reference only, and actual amounts may differ.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We have continued to expand our project portfolio subsequent to the Track Record Period and our revenue-bearing GFA reached 6.4 million sq.m. as at 31 March 2019. We have secured 22 sales assistance service agreements that were granted by entities related to Hevol Real Estate Group, and we will continue to utilise our strong and long-standing relationship with Hevol Real Estate Group for our future growth.

Based on the unaudited management accounts of our Group, revenue of our Group increased for the two months ended 28 February 2019 as compared to the corresponding period in 2018. Such increase mainly due to the increased number of property management projects in 2019 as compared with that of 2018. Administrative expenses increased for the two months ended 28 February 2019 as compared to that of the corresponding period in 2018 mainly due to the increase in staff costs as the number of our administration staff headcount increased coupled with the increasing level of average salaries of our staff. Furthermore, our Company declared and approved a dividend amounting to RMB25.4 million to our Shareholders in February 2019 based on our Group's distributable profits as at 31 December 2018.

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As disclosed in the paragraph headed “– Listing Expenses” in this section, our net profit for the year ending 31 December 2019 is expected to be affected by the estimated expenses in relation to the Listing. Our Directors have confirmed that save as disclosed in the subsections abovementioned, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2018, the end of the period reported in the Accountants’ Report as set out in Appendix I to this prospectus, and there has been no event since 31 December 2018 which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted 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 consolidated net tangible assets of the Group as at 31 December 2018 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 <i>(RMB'000)</i> <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(RMB'000)</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company <i>(RMB'000)</i>	Unaudited pro forma adjusted net tangible assets per share	
				<i>(RMB)</i> <i>(Note 3)</i>	<i>(HK\$)</i> <i>(Note 5)</i>
Based on the Offer Price of HK\$1.28 per Share	79,182	80,098	159,280	0.40	0.45
Based on the Offer Price of HK\$1.56 per Share	79,182	103,124	182,306	0.46	0.52

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Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2018 of RMB80.1 million with an adjustment for the intangible assets as at 31 December 2018 of RMB0.9 million.
- (2) The estimated net proceeds from the Share Offer are based on 100,000,000 Shares at the Offer Price of HK\$1.28 and HK\$1.56 per Share after deduction of the estimated underwriting fees and commissions and other estimated listing-related expenses expected to be incurred by the Group subsequent to 31 December 2018. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 400,000,000 shares (being the number of ordinary shares expected to be in issue immediately after completion of the Capitalisation Issue and the Global Offering). No account has been taken of any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2018. In particular, the unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company has not taken into account the declaration of a dividend of RMB25,400,000 which was approved by the Board on 14 February 2019. The unaudited pro forma adjusted net tangible assets per share would have been RMB0.33 (equivalent to approximately HK\$0.38) and RMB0.39 (equivalent to approximately HK\$0.45) per Share based on the Offer Price of HK\$1.28 and HK\$1.56 per Share, respectively, if the effect of such dividend had been accounted for.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.88046, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing at the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 31 December 2018 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

CONNECTED TRANSACTIONS

We have entered into a number of transactions 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

Provision of Consumer Goods and Services

We have been providing consumer goods and services, such as accommodation and catering services, to Hevol Real Estate and its subsidiaries from time to time. As the entire equity interest of Hevol Real Estate is ultimately owned by Mr. Liu, our ultimate Controlling Shareholder, Hevol Real Estate and its subsidiaries are associates of Mr. Liu and connected persons of our Group. It is expected that the provision of such consumer goods and services by us to Hevol Real Estate and its subsidiaries will continue after the Listing and constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules. For such purpose, we entered into a framework agreement with Hevol Real Estate on 17 February 2019 for the term from 17 February 2019 to 31 December 2021.

The provision of such consumer goods and services by us to Hevol Real Estate and its subsidiaries has been and will be made on comparable terms as those we offered to Independent Third Party consumers in the open market and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules.

Transitional Trademark Licencing Agreement

The trademark used by our Group in the PRC as set out in "Appendix V – Statutory and General Information – B. Further Information About the Business of our Company – 2. Our Material Intellectual Property Rights – (a) Trademarks" was owned by Hevol Investment. On 30 November 2018, Beijing Hongsheng, our indirect wholly-owned subsidiary, entered into the an agreement with Hevol Investment under which Hevol Investment agreed to transfer the trademark to Beijing Hongsheng at nil consideration (the "**Trademark Transfer Agreement**").

Pursuant to the Trademark Transfer Agreement, pending the completion of the registration of Beijing Hongsheng as the new registered owner of the trademark in the PRC, Hevol Investment granted our Group an exclusive licence for the use of the trademark on a royalty-free basis (the "**Transitional Trademark Licencing Arrangement**"). Such exclusive licence shall be valid until the completion of the registration of Beijing Hongsheng as the registered owner of the trademark in the PRC.

As the entire equity interest of Hevol Investment is ultimately owned by Mr. Liu, our ultimate Controlling Shareholder, Hevol Investment is an associate of Mr. Liu and a connected person of our Company. The transaction under the Transitional Trademark Licencing Arrangement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

As the right to use the licenced trademarks was granted to us on a royalty-free basis under the Trademark Transfer Agreement, such transaction will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Lease Agreements in Relation to Jiaoda Jiayuan

During the Track Record Period, Beijing Hevol and Hevol Real Estate entered into certain operation and management agreements in relation to (i) a clubhouse located at Jiaoda Jiayuan (交大嘉園), one of the residential properties developed by Hevol Real Estate Group and managed by us, and (ii) the heating facilities in a boiler house, which serves as the heat generator of the collective heating system of Jiaoda Jiayuan, during the period from 15 November each year to 15 March of the following year.

Under such agreements, Hevol Real Estate granted Beijing Hevol the right to occupy, operate and manage the clubhouse and the heating facilities and Beijing Hevol has the right to enjoy all the income generated from such properties, including the heating fees received from the residents, the subsidies received from the government for the heating facilities in accordance with the local regulations and policies, as well as the services fees received from the residents for enjoying the facilities in the clubhouse. In return, Beijing Hevol shall pay annual fees to Hevol Real Estate.

The total fees paid by Beijing Hevol to Hevol Real Estate were RMB1.2 million, RMB0.6 million and RMB0.6 million for the years ended 31 December 2016, 2017 and 2018, respectively. The operation and management agreements for the clubhouse and the heating facilities expired on 30 November 2018 and 30 June 2018, respectively.

On 29 January 2019, Beijing Hevol and Hevol Real Estate entered into two lease agreements, one for the clubhouse (the "**Clubhouse Lease Agreement**") and one for the heating facilities (the "**Heating Facilities Lease Agreement**"), under which Hevol Real Estate leased the clubhouse and the heating facilities to Beijing Hevol for an annual rent of RMB294,000 and RMB432,000, respectively. The rights and obligations of both parties are similar to that under the operation and management agreements described above. The Clubhouse Lease Agreement shall be effective from 1 December 2018 to 30 November 2021, while the Heating Facilities Lease Agreement shall be effective from 1 July 2018 to 30 June 2021.

As Hevol Real Estate is an associate of Mr. Liu and a connected person of our Group, the transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

As the nature of the underlying transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement are similar and the contracting parties are the same, our Directors considered it appropriate to aggregate the amounts under these agreements when calculating the maximum annual rent payable under such agreements. Our Directors estimate that the maximum aggregated annual fee payable by us under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement for each of the three years ending 31 December 2021 will not exceed RMB726,000. In arriving at the above aggregated annual cap, our Directors have considered (i) the fair rent letters issued by an independent valuer in relation to the clubhouse and the heating facilities, respectively, and (ii) the terms and conditions of such agreements and the historical transaction amounts during the Track Record Period.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual cap in relation to the Clubhouse Lease Agreement and Heating Facilities Lease Agreement is less than 5% and the total consideration is less than HK\$3,000,000, the transactions under such agreements will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Property Interest

We are entitled to the property interests, including the right to enjoy, occupy, use and receive income as well as capital gain (or loss) deriving from the Investment Properties under the arrangements entered into between Beijing Hevol and Fufa Property, Donghe Weiye and Hevol Real Estate, respectively. For details of such arrangements, please refer to the section headed "Business – Properties – Contractual Property Interest" in this prospectus.

Fufa Property and Donghe Weiye are wholly-owned subsidiaries of Hevol Real Estate and therefore are associates of Mr. Liu and connected persons of our Group. Accordingly, the transactions with Hevol Real Estate, Donghe Weiye and Fufa Property under such arrangement will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing. Since we have fully paid the consideration to own the beneficial interest of the Investment Properties and are entitled to such property interests without subsequent recurring fees, these transactions will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase Agreement in Relation to Property Management Software

Beijing Community Radius Information Technology Limited (北京社區半徑信息技術有限公司) ("**Community Radius Limited**") entered into a sale and purchase agreement with Beijing Hevol on 22 May 2017 and a supplemental agreement on 29 January 2019 (together, the "**Property Management Software Agreements**"). Under the Property Management Software Agreements, Community Radius Limited has granted a licence to Beijing Hevol for the use of the "Community Radius" (社區半徑) application (both Software-as-a-Service version and mobile application version) for a consideration of RMB59,400. Such consideration has already been paid by Beijing Hevol. The Property Management Software Agreements will be effective until 20 May 2022.

CONNECTED TRANSACTIONS

Community Radius Limited is owned by Mr. Liu as to 51%, our ultimate Controlling Shareholder, and therefor is an associate of Mr. Liu and a connected person of our Group. Accordingly, the transactions under the Property Management Software Agreements will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing.

As the one-off consideration has been paid by Beijing Hevol for the right to enjoy the products, functions and services under the Property Management Software Agreements and the continuing enjoyment will not incur any subsequent recurring fees, such transactions will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Master Services Agreement

Before and during the Track Record Period, we entered into certain preliminary property management service agreements with subsidiaries of Hevol Real Estate Group for properties developed by them. Pursuant to such agreements, we provided property management services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services (“**Hevol Property Management Services**”). We also provided certain property developer-related services to Hevol Real Estate Group, mainly including sales assistance services such as display unit management services, market planning services and visitor reception services (“**Hevol Developer-related Services**”).

For each of the years ended 31 December 2016, 2017 and 2018, the total fees paid by Hevol Real Estate Group for Hevol Property Management Services were approximately RMB13.4 million, RMB16.9 million and RMB13.6 million, respectively, while the fees for Hevol Developer-related Services were approximately RMB12.2 million, RMB8.2 million and RMB13.9 million, respectively. Thus, the total service fees paid to our Group by Hevol Real Estate Group for Hevol Property Management Services and Hevol Developer-related Services were RMB25.6 million, RMB25.1 million and RMB27.5 million for the years ended 31 December 2016, 2017 and 2018, respectively.

On 24 June 2019, we entered into a master service agreement (the “**Master Service Agreement**”) with Hevol Real Estate in relation to our continuing provision of Hevol Property Management Services and Hevol Developer-related Services to Hevol Real Estate Group. Relevant subsidiaries of both parties will enter into separate service agreements which will set out the specific terms and conditions according to the principles provided in the Master Service Agreement.

CONNECTED TRANSACTIONS

The major terms of the Master Service Agreement are summarised as follows:

Term	24 June 2019 to 31 December 2021
Scope of services	<ul style="list-style-type: none">• Hevol Property Management Services, mainly including security services, repair and maintenance services for public facilities, cleaning and garden landscape maintenance services• Hevol Developer-related Services, mainly including maintenance services for display units, market planning services, visitor reception services and consultation services
Service fees	The service fees are to be determined after arm's-length negotiations taking into account the following factors: (i) the anticipated operational costs (including staff costs); (ii) the market rates that will be charged by Independent Third Parties for providing similar services for similar type of projects in the market; and (iii) in any case not less favourable than the service fees chargeable by us if such services are to be provided to an Independent Third Party.

Our Directors estimate that the maximum annual fees payable by the Hevol Real Estate Group in relation to Hevol Property Management Services to be provided by our Group under the Master Services Agreement for the three years ending 31 December 2021 will not exceed RMB8.7 million, RMB13.3 million and RMB15.0 million, respectively; while the maximum annual fee in relation to the Hevol Developer-related Services for the same three years will not exceed RMB26.0 million, RMB26.5 million and RMB22.4 million, respectively. Thus, the total service fees payable to our Group under the Master Service Agreement will not exceed RMB34.7 million, RMB39.8 million and RMB37.4 million for each of the three years ending 31 December 2021, respectively.

In arriving at the above annual caps of Hevol Property Management Services, our Directors have considered the following factors which they considered to be reasonable and justifiable in the circumstances:

- the historical service fees during the Track Record Period;

CONNECTED TRANSACTIONS

- the estimated revenue to be recognised in relation to the Hevol Property Management Services and Hevol Developer-related Services to be provided by us pursuant to existing contracts and the expected time and volume of delivery for our existing property management projects; and
- the expected volume of sale of Hevol Real Estate Group, size and number of the property projects to be managed by our Group based on the total GFA of the properties to be delivered by the Hevol Real Estate Group, the properties under development held by Hevol Real Estate Group as at 31 December 2018 and the estimated time of pre-sales and delivery.

Each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of our Group. Accordingly, the transactions under the Master Service Agreement will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

Since the applicable ratios under the Listing Rules in respect of the annual caps in relation to Master Service Agreement are expected to be more than 5%, the transactions under the Hevol Property Management Services Agreement constitute continuing connected transactions of our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) APPLICATION FOR WAIVER

The transactions disclosed under the paragraph headed “– (B) 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, a waiver exempting us from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions disclosed in “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, and Independent Shareholders' Approval Requirements” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for the three years ending 31 December 2021 shall not exceed the respective annual caps set out above.

CONNECTED TRANSACTIONS

(D) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions disclosed under the paragraph “– (B) 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, (iii) with annual caps which are fair and reasonable and in the interest of our Shareholders as a whole, and (iv) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(E) SOLE SPONSORS' VIEW

The Sole Sponsor is of the view that the continuing connected transactions disclosed under the paragraph headed “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” have been and will be entered into (i) 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

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid prior to and immediately following the completion of the Capitalisation and the Global Offering:

	<i>Aggregate par value (US\$)</i>
<i>Authorised share capital</i>	
<u>5,000,000,000</u> Shares	<u>50,000</u>
<i>Issued share capital</i>	
104,734 Shares in issue as at the date of this prospectus	1.05
<i>Shares to be issued</i>	
299,895,266 Shares to be issued pursuant to the Capitalisation Issue	2,998.95
<u>100,000,000</u> Shares to be issued under the Global Offering assuming no exercise of any option granted under the Share Option Scheme	<u>1,000</u>
<i>Total issued share capital upon completion of the Capitalisation Issue and the Global Offering</i>	
<u><u>400,000,000</u></u>	<u><u>4,000</u></u>

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Appendix V – Statutory and General Information – D. Share Option Scheme” of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of issued Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (a) 20% of the aggregate number of issued Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering; and
- (b) the number of issued Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of options which were granted under the Share Option Scheme.

This mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Appendix V – Statutory and General Information – A. Further Information about Our Group – 5. Resolutions of the Shareholders of Company Passed on 14 June 2019” in this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate number of issued Shares immediately following the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Appendix V – Statutory and General Information – Repurchase of Our Shares”.

This general mandate to repurchase Shares will remain in effect until:

- (a) at the conclusion of our next annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Appendix V – Statutory and General Information – A. Further Information about Our Group – 5. Resolutions of the Shareholders of Company Passed on 14 June 2019” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Nature of Interest and Capacity	Number of Shares held/ interested as at the date of this prospectus	Percentage of interest in our Company as at the date of this prospectus	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and Global Offering	Percentage of interest in our Company immediately after the Capitalisation Issue and Global Offering
Brilliant Brother ⁽¹⁾	Beneficial owner	100,000	95.48%	286,439,934	71.61%
Mr. Liu ⁽¹⁾	Interest of a controlled corporation	100,000	95.48%	286,439,934	71.61%
Ms. Liu Hong (劉宏) ⁽²⁾	Interest of spouse	100,000	95.48%	286,439,934	71.61%

Notes:

- (1) The entire issued share capital of Brilliant Brother is held by Mr. Liu. Therefore, Mr. Liu is deemed to be interested in the Shares held by Brilliant Brother in our Company under the SFO.
- (2) Ms. Liu Hong (劉宏) is the spouse of Mr. Liu. By virtue of the SFO, Ms. Liu Hong is deemed to be interested in all the Shares in which Mr. Liu is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), our non-executive Director and chairman Mr. Liu is entitled to exercise approximately 71.61% of the voting rights at general meetings of our Company through Brilliant Brother. As such, each of Mr. Liu and Brilliant Brother is regarded as a Controlling Shareholder. For further details of the background and experience with Mr. Liu, please refer to the section headed “Directors and Senior Management – Directors – Non-executive Directors” in this prospectus.

Save as disclosed above, to our Directors’ best knowledge, there is no other person who will, immediately following the completion of the Global Offering and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Delineation of Businesses

Hevol Real Estate Group

Mr. Liu is currently the 100% beneficial owner of Hevol Investment and Shanghai Hengjiu. He is also the director, chairman and manager of Hevol Investment. Hevol Investment and Shanghai Hengjiu respectively holds 80% and 20% of the share capital of Hevol Real Estate which in turn has various subsidiaries across different parts of China. Given the shareholding relationship between Hevol Real Estate Group and Mr. Liu, each member of Hevol Real Estate Group is a close associate of Mr. Liu.

The table below sets forth the principal businesses of our Group and the Hevol Real Estate Group as at the Latest Practicable Date:

<u>Name of company</u>	<u>Principal business operations</u>
Our Group	<ul style="list-style-type: none">• Property management services, including security services, repair and maintenance services and cleaning and garden landscape maintenance services• Community-related services, including home-living and other services, leasing of car parking space and leasing of common facilities• Property developer-related services, including sales assistance services

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name of company	Principal business operations
Hevol Real Estate Group	<ul style="list-style-type: none"> • Property development • Property investment • Construction, civil engineering, design and other related services

Given the difference between the principal business operations of our Group and Hevol Real Estate Group, our Directors are of the view that there is a clear delineation between the business of Hevol Real Estate Group and our business.

Other businesses of our Controlling Shareholders

Apart from Hevol Real Estate Group, Mr. Liu also controls a number of companies with substantive business operations which have been excluded from our Group (“**Other Excluded Companies**”). As at the Latest Practicable Date, the principal activities of Other Excluded Companies include:

No.	Name of company	Principal business operations
1	Guizhou Gas Group Corporation Limited (貴州燃氣集團股份有限公司) ^(Note 1) and its subsidiaries	<ul style="list-style-type: none"> • Design, construction, maintenance and operation of gas pipeline connections in Guizhou province • Natural gas transmission services through pipeline network to customers in Guizhou province
2	Huachuang Yang’an Corporation Limited (華創陽安股份有限公司) ^(Note 2) and its subsidiaries	<ul style="list-style-type: none"> • Securities brokerage, securities investment consultancy • Investment banking • Asset management
3	Beijing Community Radius Information Technology Company Limited (北京社區半徑信息技術有限公司) ^(Note 3)	<ul style="list-style-type: none"> • Developer and operator of the “Community Radius” (社區半徑) property management software
4	Guizhou Hong Kang Medicine Company Limited (貴州弘康藥業有限公司)	Manufacture and sale of medicine

Notes:

1. Guizhou Gas Group Corporation Limited (貴州燃氣集團股份有限公司) is a listed company with its shares listed on Shanghai Stock Exchange with stock code 600903. Mr. Liu is its controlling shareholder indirectly holding 41.6% of its issued shares.
2. Huachuang Yang’an Corporation Limited (華創陽安股份有限公司) is a listed company with its shares listed on Shanghai Stock Exchange with stock code 600155. Mr. Liu is its second largest shareholder directly and indirectly holding 11.49% of its issued shares.
3. Please refer to the section headed “Business – Community-Related Services” in this prospectus for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Given the differences between the principal business operations of our Group and Other Excluded Companies, our Directors are of the view that there is a clear delineation between the such businesses and our business.

Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in the paragraph entitled “– Deed of Non-Competition” in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the reasons set out below.

Management Independence

Our Company and Hevol Investment each has a board of directors that functions independently of the other. The following table sets forth the details of the directorships and/or roles taken up by members of our Board or senior management team in Hevol Real Estate Group and/or Other Excluded Companies (if any) immediately upon Listing:

<u>Name</u>	<u>Position in our Company</u>	<u>Position in members of Hevol Real Estate Group and/or Other Excluded Companies</u>
Mr. Liu	Non-executive Director and chairman	Director, chairman and manager of Hevol Investment
Mr. Zhou Wei (周煒)	Non-Executive Director	Deputy chief executive officer of Hevol Real Estate
Mr. Wang Wenhao (王文浩)	Executive Director, general manager and chief executive officer	None
Ms. Hu	Executive Director and chief financial officer	None

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Name</u>	<u>Position in our Company</u>	<u>Position in members of Hevol Real Estate Group and/or Other Excluded Companies</u>
Mr. Qian Hongji (錢紅驥)	Independent non-executive Director	None
Dr. Chen Lei (陳磊)	Independent non-executive Director	None
Dr. Li Yongrui (李永瑞)	Independent non-executive Director	None
Mr. Fan Chi Chiu (范智超)	Independent non-executive Director	None
Mr. Sun Yang (孫暘)	Deputy general manager	None
Mr. Gao Yongxing (高永星)	Deputy general manager	None

Our Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors. Mr. Liu, our non-executive Director and chairman of the Board, is also the director, chairman and manager of Hevol Investment and Mr. Zhou Wei, our non-executive Director, is also the deputy chief executive officer of Hevol Real Estate. Other than Mr. Liu and Mr. Zhou, none of our other Directors holds any directorship or senior management role in Hevol Real Estate Group and/or Other Excluded Companies. Since Mr. Liu and Mr. Zhou are non-executive Directors, they will not be involved in the day-to-day management or affairs and operations of our businesses.

Our Board has been and will continue to be supported by the separate and independent senior management team which is led by Mr. Wang Wenhao (王文浩), who has served our Group for over ten years. The senior management team forms part of our core management team together and made material decisions in our business operation during the Track Record Period. There is no overlapping personnel between the senior management team of our Group and that of Hevol Real Estate Group and/or Other Excluded Companies.

In the event that the overlapping Director is required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with Hevol Real Estate Group, the remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the overlapping Director, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from Hevol Real Estate Group and/or other Companies controlled by our Controlling Shareholders for the following reasons:

- (a) none of the businesses of Hevol Real Estate Group and/or Other Excluded Companies competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

of interest, therefore, the dual roles assumed by our overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

- (b) we have four independent non-executive Directors, and certain matters of our Company, including continuing connected transactions and other matters referred to in the Deed of Non-Competition, details of which are set out in the paragraph entitled “– Deed of Non-Competition” below, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our shareholders as a whole; and
- (c) in an event of conflict of interests, the relevant Director will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorships in Hevol Real Estate Group and/or Other Excluded Companies have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to the section headed “Directors and Senior Management – Directors” in this prospectus for further details of the relevant experience and qualifications of our Directors.

Mutual and Complementary Relationship

Our Group has a long-standing and well-established ongoing business relationship with Hevol Real Estate Group since 2003. We have provided various services to Hevol Real Estate Group, including property management services since 2003 including property management services to Jiaoda Jiayuan (交大嘉園) and Caihong Yuan (彩虹園). As such, we consider such close business relationship between our Group and Hevol Real Estate Group to be mutual and complementary. Although our revenue generated from property management services in relation to properties developed by Hevol Real Estate Group represented approximately 95.9% of our revenue in that segment, according to CIA, such business relationship between our Group and Hevol Real Estate Group is common among PRC property management companies and their parent property developer companies. The Hevol Real Estate Group is principally engaged in property development business, which requires property management services for its business development. Given the long history of business relationship, we and Hevol Real Estate Group have developed a well-established mutual understanding in our business collaborations. Throughout our cooperation with Hevol Real Estate Group, we have built up mutually dependent relationship whereby we are able to provide tailored services to Hevol Real Estate Group to meet the specific needs of property owners and residents of property management projects we manage, and our management is familiar with the standards and requirements of Hevol Real Estate Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We have full rights to hold and enjoy the benefit of all relevant licences, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective associates and will continue to do so after Listing.

Although the property management projects developed by Hevol Real Estate Group accounted for the majority of the property management projects of our Group managed during the Track Record Period, the majority of our revenue was derived from property owners of individual property units. Revenue from the property management projects developed by Hevol Real Estate Group represented 16.4%, 13.4% and 13.0% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively, while 83.6%, 86.6% and 87.0% of our revenue was generated from customers excluding Hevol Real Estate Group for the same periods.

Though most of the projects we managed were developed by Hevol Real Estate Group, which is in line with the industry norm, we secured the majority of preliminary property management service engagements through a standard bidding 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 tender evaluation committee shall be established consisting of an odd number of no less than five members, among which the experts in property management other than the representatives of the bid inviter shall be no less than two-thirds of total members to consider and make decisions on the bids. During the Track Record Period, we were engaged by Hevol Real Estate Group for all of its preliminary property management agreements under its development. For details of the bidding process, please refer to the section headed “Business – Our Property Management Services – Growth of Our Property Management Portfolio – Organic growth through new engagements – Public biddings” and “Regulatory Overview – Regulations on Property Management Service and Other Related Services – Regulations on Appointing the Property Management Enterprise”.

In addition, in the post-delivery stage of the property development projects where the property units have been wholly or partially sold and once the property owners’ associations have been established by the property owners’ general meeting, the property owners’ associations can be authorised by the property owners’ general meeting to enter into contracts with the property management service providers selected by the property owners’ general meeting. Both of our Group and Hevol Real Estate Group do not have any influence over the engagement (or dismissal) of the property management services provider by the property owners. During the process, the property owners are entitled to conduct their own evaluation procedures in engaging (or dismissing) the property management service provider and both our Group and Hevol Real Estate Group do not have any role or influence over the engagement (or dismissal) of the relevant property management service provider. During the Track Record Period, all of the property owners’ associations had engaged us to continue to provide property management services upon their establishment through renewing the existing contracts or executing the original contracts.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Considering our Group's longstanding business relationship with Hevol Real Estate Group, and our knowledge on and familiarity with the specific requirements and considerations of the property management projects developed by Hevol Real Estate Group, we expect that we will be able to continuously secure property management projects from Hevol Real Estate Group going forward. As such, we consider that the risk that our relationship with the Hevol Real Estate Group to be terminated is low. In the unlikely event that our business relationship with Hevol Real Estate Group is terminated, we do not consider that our business operations and revenue will be adversely affected as further elaborated below.

We have commenced to diversify our property management service portfolio by providing property management services for properties developed by independent third party property developers since 2010. The revenue attributable to independent third party property owners and developers is also expected to increase going forward, as we expect there will be more robust increment in revenue derived from (i) individual property owners who are unrelated to Hevol Real Estate Group, and (ii) property developers other than Hevol Real Estate Group as a result of our increased marketing efforts targeted at independent third-party property developers to obtain more property management projects from them. In particular, for the year ended 31 December 2018, our Group's revenue-bearing GFA of property management projects developed by Independent Third Party developers was approximately 470,000 sq.m., representing an increase of approximately 49.2% as compared to approximately 315,000 sq.m. for the year ended 31 December 2017. As at 31 December 2018, our Group had managed six property management projects developed by Independent Third Party developers. The revenue derived from these property management projects developed by Independent Third Party developers amounted to approximately RMB3.1 million, RMB5.0 million and RMB6.4 million for the years ended 31 December 2016, 2017 and 2018, respectively, accounting for approximately 2.7%, 3.7% and 4.1% of the total revenue arising from property management services under the property management service segment, for the corresponding periods.

In addition, HK\$7.0 million, or 7.7%, of net proceeds from the Global Offering will be used for obtaining new market opportunities, and the proceeds will be used to bid for new property management projects, such as preparation of tender submission and contracts negotiation. Furthermore, we intend to explore strategic acquisition and investment opportunities to diversify our property management projects portfolio. Approximately 51.8% of the net proceeds raised from the Global Offering will be used to pursue strategic acquisition and investment opportunities to acquire two property management services providers. For more information on our selection criteria for acquisition targets, please refer to the section headed "Business – Our Property Management Services – Growth of our property management services portfolio – Acquisition of third-party property management companies" and the section headed "Business – Business Strategies – Continue to grow our business through mergers and acquisitions" in this prospectus. Taking into consideration of the above, our Directors believe that our Group will be able to effectively mitigate our exposure to any material adverse changes to our business operations in the unlikely event that our relationship with Hevol Real Estate Group is terminated.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Licences and IT systems required for operation

We hold and enjoy the benefit of all relevant licences and permits material to the operation of our business. We do not share any IT systems or corporate functions with Hevol Real Estate Group and/or other Companies controlled by our Controlling Shareholders.

Access to customers

We have a continuously increasing and diversifying base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Operational facilities

As at the Latest Practicable Date and save as disclosed in the sections headed “Business – Properties” and “Connected Transactions – (A) Continuing Connected Transactions Fully Exempt From the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this prospectus, all the properties and facilities necessary to our business operations are separate from those of our Controlling Shareholders and their respective associates.

We have been leasing certain office premises from Hevol Real Estate Group. As such premises are for our own use as offices or registered office and it would not be difficult for us to obtain alternative premises from the market, we do not rely on Hevol Real Estate Group in respect of our operation.

Employees

As at the Latest Practicable Date, our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programmes, job fair, recruiting firms and internal referrals.

Connected transactions with our Controlling Shareholders

The section headed “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 Listing. All such transactions are determined after arm’s length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in the section headed “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 Listing.

Financial Independence

We have established our own financial management system that operates independently. As at the Latest Practicable Date, we had no outstanding loans obtained from our Controlling Shareholders or their associates, nor do we rely on our Controlling Shareholders or their associates for any guarantee or security.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period, despite that members of our Group were subsidiaries of Hevol Investment and Hevol Real Estate, their operations were carried out individually at the company level. Having considered the above factors, our Directors are of the view that there will not be financial dependence on our Controlling Shareholders and Hevol Real Estate Group after the Listing.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-competition, it or he would not, and would procure that its or his associates (other than any member of our Group) would not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any right or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group, in China and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the “**Restricted Business**”). Such non-competition undertaking does not apply to:

- (i) situations where any new business opportunity relating to the investment, acquisition, operation or otherwise getting involved in any Restricted Activities (the “**Competing Business Opportunity**”) identified by/made available to our Controlling Shareholder(s) and/or any of its or his close associates has been referred to our Company (and/or its subsidiaries) first, and our Company has declined such Competing Business Opportunity in accordance with the decisions made on the relevant Board meeting and/or shareholders’ meeting pursuant to the relevant laws, regulations and articles of associations; our Controlling Shareholder(s) and/or its or his close associates shall then be entitled to pursue such Competing Business Opportunity on such major terms not more favourable than that offered to our Company;
- (ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated revenue or assets, as shown in that company’s latest audited accounts; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; and
 - (c) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company; or
- (iii) any interests in the shares of any member of our Group.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their 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/he fully comprehends its/his 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 associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 headed “Directors and Senior Management – Directors – Independent Non-executive Directors” in this prospectus;

- (d) we have appointed Southwest Securities (HK) Capital 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 favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by the Controlling Shareholders and their compliance with such undertakings.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The table below sets out certain information regarding our current Directors and senior management members.

Directors and Senior Management

Name	Age	Date of appointment as Director/Senior Management	Time of joining our Group	Current position in our Company	Principal Responsibilities	Relationship with other Directors and senior management
Directors						
Mr. Liu Jiang (劉江)	51	28 May 2018	April 2002	Non-executive Director, chairman of the Board and chairman of the nomination committee	Provision of guidance for the overall development of our Group	N/A
Mr. Wang Wenhao (王文浩)	40	13 February 2019	May 2007	Executive Director, general manager and chief executive officer	Overseeing the daily operations of our Group	N/A
Ms. Hu Hongfang (胡洪芳)	51	9 August 2018	June 2007	Executive Director and chief financial officer	Overall strategic planning, business development and financial management of our Group	N/A
Mr. Zhou Wei (周煒)	45	13 February 2019	November 2006	Non-executive Director	Provision of guidance for the overall development of our Group	N/A
Mr. Qian Hongji (錢紅驥)	44	14 June 2019	14 June 2019	Independent non-executive Director, a member of the audit committee, the nomination committee and the remuneration committee	Supervising and providing independent judgement to the Board	N/A
Mr. Fan Chi Chiu (范智超)	33	14 June 2019	14 June 2019	Independent non-executive Director and chairman of the audit committee	Supervising and providing independent judgement to the Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of appointment as Director/Senior Management	Time of joining our Group	Current position in our Company	Principal Responsibilities	Relationship with other Directors and senior management
Dr. Chen Lei (陳磊)	46	14 June 2019	14 June 2019	Independent non-executive Director and a member of the audit committee and the remuneration committee	Supervising and providing independent judgement to the Board	N/A
Dr. Li Yongrui (李永瑞)	49	14 June 2019	14 June 2019	Independent non-executive Director, chairman of the remuneration committee and a member of the nomination committee	Supervising and providing independent judgement to the Board	N/A
Senior Management						
Mr. Sun Yang (孫暘)	41	13 February 2019	September 2017	Deputy general manager	Responsible for daily operations of our Group	N/A
Mr. Gao Yongxing (高永星)	41	13 February 2019	June 2007	Deputy general manager	Responsible for daily operations of our Group	N/A

DIRECTORS

Our Board consists of eight Directors, comprising two executive Directors, two non-executive Directors and four independent non-executive Directors. Our Board is responsible for the overall management and conduct of our business. For the residential address of each Director, please refer to the section headed “Directors and Parties Involved in the Global Offering” in this prospectus.

Executive Directors

Mr. Wang Wenhao (王文浩), aged 40, was appointed as our executive Director, general manager and chief executive officer on 13 February 2019. Mr. Wang is responsible for overseeing the daily operations of the Group.

Mr. Wang has over 16 years’ of experience in property management. Prior to joining our Group, from May 2002 to May 2005, Mr. Wang served as assistant to the director of management department and customer service manager of Shenzhen Jindi Property Management Co., Ltd. (深圳市金地物業管理有限公司). From June 2005 to May 2007, Mr. Wang worked as a project manager of Beijing Angang Property Services Limited Company (北京安港物業服務有限公司) and was mainly responsible for providing pre-project property services as well as formulating project management plans and operation manuals. Mr. Wang

DIRECTORS AND SENIOR MANAGEMENT

was general manager of Beijing Hevol from May 2007 to April 2018. From September 2015 to April 2018, Mr. Wang also served as a director and the director of the strategic development department of Beijing Hongsheng. Since November 2012, Mr. Wang has been serving as a director of Hunan Hehua. Since April 2018, Mr. Wang has been serving as the general manager of Beijing Hongsheng and as an executive director of Beijing Hongsheng since February 2019.

Mr. Wang completed college-level studies in administrative management at The Open University of China (中央廣播電視大學) in China in July 2013. Mr. Wang was accredited by China State Construction Engineering Corporation (中國建築工程總公司) as an electrical engineer in June 2011.

Ms. Hu Hongfang (胡洪芳), aged 51, was appointed as our Director on 9 August 2018 and was redesignated as our executive Director and was appointed as our chief financial officer on 13 February 2019. Ms. Hu is responsible for the overall strategic planning, business development and financial management of our Group.

Prior to joining our Group, Ms. Hu served as assistant accountant of the Xuzhou West Station of the Jinan Bureau of the Ministry of Railways (鐵道部濟南局徐州鐵路西站) from August 1992 to March 2003. She was the manager of the finance department and accountant of the Xuzhou Railway Advertisement and Decoration Information Networks Co. Ltd. (徐州鐵路廣告裝飾信息網絡有限公司) from April 2003 to November 2005. From December 2005 to May 2007, Ms. Hu served as the deputy general manager and chief financial officer of Chongqing Qishan Shiye Co., Ltd. (重慶祺山實業有限公司). Ms. Hu has been serving as the executive director and general manager of Chongqing Hevol since June 2007. Ms. Hu has also served as the chairman of Guizhou WFOE since September 2018, as a director of Hevol Group and as a director and chairman of the board of Hevol Abundance since August 2018.

Ms. Hu obtained a bachelor's degree in accounting from East China Jiaotong University (華東交通大學) in China in July 1991. Ms. Hu was accredited as an accountant by Ministry of Finance of the PRC in May 1996.

Non-executive Directors

Mr. Liu Jiang (劉江), aged 51, is the founder of our Group. He was appointed as our Director on 28 May 2018 and was redesignated as our non-executive Director and the chairman of our Board on 13 February 2019. Mr. Liu is responsible for the provision of guidance for the overall development of our Group. Mr. Liu is the chairman of the nomination committee of the Board.

Mr. Liu has over 23 years' of experience in property development and management. From February 1995 to March 2001, Mr. Liu worked in Beijing Longyang Real Estate Development Co., Ltd. (北京龍洋房地產開發有限公司) as deputy general manager. Mr. Liu has been serving as the chairman of Hevol Investment since March 2001. Mr. Liu was the chairman of Beijing Hongsheng from September 2015 to December 2017. Mr. Liu is also the founder and controlling shareholder of Hevol Real Estate Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu has been a non-executive director of Ourgame International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 6899), since March 2015.

Mr. Liu obtained a bachelor's degree in accounting from East China Jiao Tong University (華東交通大學) in China in July 1991.

Mr. Zhou Wei (周煒), aged 45, was appointed as our non-executive Director on 13 February 2019. Mr. Zhou is responsible for the provision of guidance for the overall development of our Group.

Prior to joining Hevol Real Estate Group in 2003, Mr. Zhou took up different positions in different design and architecture institution or companies. Mr. Zhou served as the general manager in the research and development centre of Hevol Real Estate from August 2003 to September 2015. Mr. Zhou served as the director of Beijing Hongsheng from September 2015 to April 2019 and has served as the vice president of Hevol Real Estate since April 2018. Mr. Zhou has served as director and general manager of Hevol Abundance since July 2018, as director and general manager of Guizhou WFOE since September 2018 and as executive director of Beijing Hevol from October 2018 to February 2019. Mr. Zhou also served as executive director and general manager of Guiyang Hevol from November 2006 to January 2018.

Mr. Zhou obtained a bachelor's degree in architecture from the North China University of Technology (北方工業大學) in China in July 1995.

Independent Non-executive Directors

Mr. Qian Hongji (錢紅驥), aged 44, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee, nomination committee and remuneration committee of the Board.

From May 1999 to May 2004, Mr. Qian was a lawyer and a partner of Beijing Fenglian Licheng Law Firm (北京豐聯立成律師事務所). From May 2005 to present, Mr. Qian has worked at Beijing Dacheng Law Firm (北京大成律師事務所) as senior partner and global director.

Mr. Qian has been an independent non-executive director of China Biotech Services Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8037), since March 2018.

Mr. Qian obtained a bachelor's degree in law from China Youth University of Political Studies (中國青年政治學院) in China in July 1998 and a master's degree in law from Peking University in China in January 2009. Mr. Qian is a practising PRC lawyer.

Mr. Fan Chi Chiu (范智超), aged 33, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fan has over 11 years' of experience in accounting and corporate finance. Mr. Fan worked as a senior associate of PricewaterhouseCoopers from October 2007 to June 2011 and an analyst in Barclays Investment Bank from July 2011 to February 2014. Mr. Fan was a finance director of Vantasia Holdings (H.K.) Limited from April 2014 to March 2015. Mr. Fan joined ELL Environment Holdings Limited, the shares of which are listed on the Stock Exchange (stock code 1395), in April 2015 as the financial controller and is currently the chief financial officer since June 2015. He is currently an executive director of Grace Wine Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8146), since July 2017.

Mr. Fan obtained his bachelor's degree in professional accountancy from the Chinese University of Hong Kong in December 2007. Mr. Fan was accredited as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in January 2011.

Dr. Chen Lei (陳磊), aged 46, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee and the remuneration committee.

Dr. Chen has over 10 years' of experience in accounting and management studies. He has been teaching at the Guanghua School of Management of Peking University since July 2008 and he is currently an associate professor of Accounting at the Guanghua School of Management, Peking University. Dr. Chen also serves as an associate editor for China Management Accounting Review (中國管理會計).

Dr. Chen has been an independent non-executive director of (a) Beijing Dabeinong Technology Group Co., Ltd. (北京大北農科技集團有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002385), since December 2013; (b) Dawning Information Industry Co., Ltd. (曙光信息產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 603019), since May 2015; (c) Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601006), since May 2017; (d) HuaDian Heavy Industries Co., Ltd. (華電重工股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601226), since June 2017; and (e) Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (東易日盛家居裝飾集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002713), since August 2017.

Dr. Chen obtained his bachelor's degree in international finance from Tsinghua University in China in July 1996. He also obtained his master's degree in business from Indiana University in the United States in September 1999 and doctor of philosophy in management science from the University of Texas at Dallas in August 2004. He was awarded the completion certificate for training in senior management of listed companies by the Shenzhen Stock Exchange in May 2012.

Despite Dr. Chen's positions held in five other listed companies as independent non-executive director, our Directors and the Sole Sponsor are of the view that Dr. Chen will be able to allocate sufficient time to perform his duty as our independent non-executive

DIRECTORS AND SENIOR MANAGEMENT

Director, on the following basis: (i) his involvement in other listed companies as independent non-executive director primarily requires him to oversee their management independently, rather than his allocation of substantial time on the participation of day-to-day management and operations of their respective businesses; (ii) notwithstanding his current engagements, he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending more than 90% of the board meetings, board committee meetings and general meetings of these companies during the financial period reported in the latest available annual reports; (iii) with extensive experience, he has developed substantial knowledge in corporate governance through his directorship in other listed companies, which would facilitate the discharge of his duties and responsibilities as our independent non-executive Director; and (iv) he has confirmed that he will devote sufficient time to perform his duties as our independent non-executive Director.

Dr. Li Yongrui (李永瑞), aged 49, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the remuneration committee and a member of the nomination committee of the Board.

Dr. Li is currently an associate professor in School of Government Management of Beijing Normal University (北京師範大學). Dr. Li has been a lecturer in management studies in Beijing Normal University (北京師範大學) since July 2003 and an associate professor of Beijing Normal University (北京師範大學) since June 2005.

Dr. Li obtained his bachelor's degree in science from Guizhou Normal University (貴州師範大學) in China in July 1991 and master's degree in sport pedagogy from Liaoning Normal University (遼寧師範大學) in China in July 1997. Dr. Li graduated from Beijing Sport University (北京體育大學) in China with a doctor's degree in education in July 2001 and he was a psychology postdoctoral researcher at Beijing Normal University (北京師範大學) in China from July 2001 to July 2003.

Director's Interests

Save as disclosed in the paragraphs headed “– Directors” and “– Compensation of Directors and Management” in this section, each of the Directors confirms with respect to himself or herself that (i) he or she has not held any directorships in the three years preceding the date of this prospectus in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he or she does not hold any other position in our Company or any other members of our Group; (iii) save as disclosed in the paragraph headed “1. Disclosure of Interests” in the section headed “Statutory and General Information” in Appendix V to this prospectus, he or she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) he or she did not have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in the paragraphs headed “– Directors” and “– Compensation of Directors and Management” in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matters with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The biography of each of our senior management member is set out below.

Mr. Sun Yang (孫陽), aged 41, was appointed as our deputy general manager on 13 February 2019. Mr. Sun is responsible for the daily operations of our Group.

Prior to joining our Group, from October 2007 to August 2013, Mr. Sun served as manager of the front lobby division of Beijing National Hotel (北京民族飯店). From August 2013 to August 2017, Mr. Sun was the general manager of Beijing Xingtian Hotel Management Company (北京星天地酒店管理公司) and Xingtian Hotel (星天地酒店). In September 2017, Mr. Sun joined Beijing Hevol and has been the deputy general manager since then.

Mr. Sun obtained his bachelor’s degree in international hospitality and tourism management from University of Northumbria in the United Kingdom in June 2005.

Mr. Gao Yongxing (高永星), aged 41, was appointed as our deputy general manager on 13 February 2019. Mr. Gao is responsible for the daily operations of our Group.

Prior to joining our Group, from January 2001 to October 2004, Mr. Gao was employed by Beijing Ziluoyuan Property Management Co., Ltd. (北京紫羅園物業管理有限公司) as deputy general manager. From November 2004 to May 2007, Mr. Gao was a project manager of the Bixing Park Management Office (碧興園管理處) of Beijing Bixingyuan Property Management Co., Ltd. (北京碧興源物業管理有限公司). Mr. Gao has been serving as deputy general manager of Beijing Hevol since May 2007. Mr. Gao has been serving as supervisor of Beijing Hongsheng since September 2015.

Mr. Gao completed college-level studies in property management at Hebei University of Science and Technology (河北科技大學) in China in July 1998 and in administrative management at The Open University of China (國家開放大學) in China in July 2017. Mr. Gao was qualified as an economist (經濟師) by China State Construction Engineering Corporation (中國建築工程總公司) in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Li Lap Keung (李立強), aged 36, was appointed as our company secretary on 13 February 2019.

Mr. Li worked at BDO Limited from September 2008 to February 2011 and his last position was senior auditor. From February 2011 to January 2012, Mr. Li worked at Ernst & Young and his last position was senior auditor. Mr. Li worked as an auditor at Mazars CPA Limited from March 2012 to May 2015 and his last position was assistant manager. From February 2017 to May 2017, Mr. Li served as a compliance officer at Jimei Securities Limited. From June 2015 to August 2017, Mr. Li worked at Jimei International Entertainment Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1159), as a senior internal audit manager. Mr. Li has been serving as an independent non-executive director of Food Idea Holdings Limited (新煮意控股有限公司), the shares of which are listed on the Stock Exchange (Stock code: 8179), since 22 February 2019.

Mr. Li obtained his bachelor's degree in accounting from the City University of Hong Kong in November 2008. Mr. Li was qualified as a Hong Kong Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants in July 2012.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

Our Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code. The audit committee consists of three (3) independent non-executive Directors being Mr. Qian Hongji, Mr. Fan Chi Chiu and Dr. Chen Lei. The chairman of the audit committee is Mr. Fan Chi Chiu. Mr. Fan Chi Chiu holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee consists of three independent non-executive Directors being Dr. Li Yongrui, Mr. Qian Hongji and Dr. Chen Lei. The remuneration committee is chaired by Dr. Li Yongrui. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making

DIRECTORS AND SENIOR MANAGEMENT

recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

Our Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of a non-executive director being Mr. Liu and two independent non-executive Directors being Mr. Qian Hongji and Dr. Li Yongrui. The chairman of the nomination committee is Mr. Liu. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

BOARD DIVERSITY

We have adopted the board diversity policy (“**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategies. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity, and length of service. Our Nomination Committee is delegated by our Board to be responsible for the compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Our Board comprises eight members, including two executive Directors, two non-executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Board has a wide range of age, ranging from 33 to 51 years old. Furthermore, one of our executive Directors, Ms. Hu Hongfang is a female. After due consideration, the Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies the Board Diversity Policy.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Southwest Securities (HK) Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of 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 price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management Presence

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please refer to section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Management Presence” in this prospectus.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries and allowances and contributions to the retirement benefit scheme on their behalf. We determine the salaries of our Directors based on each Director’s responsibilities, qualification, position and seniority.

The aggregate amount of remuneration our Directors have received (including fees, salaries and allowances and contributions to the retirement benefit scheme) for the years ended 31 December 2016, 2017 and 2018 were approximately RMB722,000, RMB720,000 and RMB821,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

It is estimated that remuneration and benefits in kind equivalent to approximately RMB2.2 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending 31 December 2019 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by our Group to our five highest paid individuals (including both employees and Directors) for the years ended 31 December 2016, 2017 and 2018 were approximately RMB1.5 million, RMB1.6 million and RMB1.9 million, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as 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. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 11 of the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 14 June 2019. Please refer to the section headed "Appendix V – Statutory and General Information – D. Share Option Scheme" in this prospectus for a description of our Share Option Scheme.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business – Business Strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds which we will receive from the Global Offering (after deducting underwriting fees and commissions and estimated expenses in connection with the Global Offering payable by us and an Offer Price of HK\$1.42 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be HK\$90.8 million. We intend to apply such net proceeds for the following purposes:

- (i) HK\$47.0 million or 51.8% of net proceeds from the Global Offering will be used for financing partially the expansion of property management services to enlarge our scale of business and bolster our presence in the PRC property management market, mainly by strategic acquisitions of quality property management companies that service residential properties in the PRC. Our key criteria in evaluating our potential acquisition targets primarily include: (a) target geographical location; (b) management team; (c) business focus; (d) target size and scale of operation; and (e) financial condition and profitability. We plan to spend approximately HK\$124.5 million in aggregate to acquire quality property management companies with an average annual revenue of more than RMB34.0 million or an average annual net profit of more than RMB2.5 million. Within the next one to three years, we plan to finance the acquisitions of two of such property management companies which have a principal place of business in the Beijing – Tianjin area (where we have market presence) by using the net proceeds from the Global Offering. The remaining portion of expenditure for the acquisitions mentioned above will be financed by our internal resources. In determining the amount of net proceeds to be used for acquisitions of property management companies, we have taken into account the following factors: (1) the expected return of the investments; (2) the expected financial performance of the acquisition targets; and (3) the market valuation multiple, such as the price-to-earnings ratio, of comparable PRC property management companies. Although we have conducted preliminary market research on several potential targets based on our selection criteria, we have not yet identified any potential target as at the Latest Practicable Date. Our Directors believe that there is an abundance of potential targets available in the market based on current and expected market conditions. Please refer to the sections headed “Business – Our Property Management Services – Growth of our property management services portfolio – Acquisition of third-party property management companies” and “Business – Business Strategies – Continue to grow our business through mergers and acquisitions” in this prospectus for further details.
- (ii) HK\$7.0 million or 7.7% of net proceeds from the Global Offering will be used for obtaining new market opportunities, among which, 4.9% of the net proceeds will be used to bid for new property management projects, such as preparation of tender submission and payment for cash deposits, and 2.8% of the net proceeds will be used

FUTURE PLANS AND USE OF PROCEEDS

in contracts negotiation and execution. As at the Latest Practicable Date, we have not yet identified any new property management projects which we plan to bid for by using the net proceeds from the Global Offering after the Listing.

- (iii) HK\$21.0 million or 23.1% of net proceeds from the Global Offering will gradually be used to invest in advanced technologies and smart communities gradually for our existing property management projects as well as expected new projects to be managed by us in order to create more efficient services to our customers and enhance our service quality, among which:
- HK\$16.5 million or 18.2% of the net proceeds will be used for the development of smart community-related services, among which (i) HK\$1.4 million or 1.6% of the net proceeds will be used to develop smart management in office premises; (ii) HK\$4.7 million or 5.2% of the net proceeds will be used to purchase 82 sweeper trucks for the purpose of performing labour-intensive cleaning works in a more efficient way, which will in turn enable us to save cleaning staff costs. During the Track Record Period, we did not use any sweeper trucks in our property management projects. We estimate our needs based on the functionality of the sweeper trucks and the scale of our existing property management projects; (iii) HK\$3.0 million or 3.3% of the net proceeds will be used to enhance smart car parking system; (iv) HK\$1.7 million or 1.9% of the net proceeds will be used to enhance the management of server rooms; (v) HK\$3.4 million or 3.7% of the net proceeds will be used to enhance fire services system; and (vi) HK\$2.3 million or 2.5% of the net proceeds will be used to develop smart electric power system. We expect the development of the abovementioned smart community-related services will be completed by 2021;
 - HK\$1.3 million or 1.4% of the net proceeds will be used to invest in the security systems; and
 - HK\$3.2 million or 3.5% of the net proceeds will be used for the further enhancement of our information management system.

We believe that the application of advanced technologies and the development of smart communities will create customer satisfaction, reduce labour costs and further promote efficiency in our decision-making process. Based on the scale of our existing property management projects as well as new projects expected to be under management, our Directors expect further application of advanced technologies and the development of smart communities will enable us to reduce the number of staff required for performing security, cleaning as well as repair and maintenance works. In particular, the smart communities includes (i) automated sensors on system control patrol check-points which can save the repair and maintenance staff from patrolling regularly to check for any system malfunction or failure; (ii) automated sweeper trucks and other equipments which can cover larger cleaning area with less manpower required in manning the trucks as compared to traditional manual cleaning; and (iii) automated and 24/7 security systems and information

FUTURE PLANS AND USE OF PROCEEDS

management systems which can replace the manpower required in labour-intensive tasks such as security patrol checks by security staff. As a result, we will be able to save staff costs and/or subcontracting costs (including security, cleaning, and repair and maintenance works) of approximately RMB6.0 million annually. Please refer to the section headed “Business – Business Strategies – Further enhance the levels of standardisation and smart management in our service process in order to increase operational efficiency and improve customer satisfaction” in this prospectus for further disclosure.

- (iv) HK\$13.1 million or 14.4% of net proceeds from the Global Offering will be used for the expansion of our value added services business segment and the enhancement of our comprehensive service level. HK\$2.3 million or 2.5% of the net proceeds will be used for expanding and upgrading our home-living services to provide more comprehensive services that satisfy the needs of our customers such as establishing home service centres to provide home renovation and furniture procurement services, HK\$3.4 million or 3.8% of the net proceeds will be used for the provision of housing trust services to manage our customers’ properties in accordance with their requests, and HK\$7.4 million or 8.1% of the proceeds will be used for the expansion of community-related services including child care, unmanned supermarkets and community group buying services to create synergies of our business. We believe the expansion of our value-added services business segment will improve the user experience of property owners and residents, as well as their loyalty and stickiness with us, strengthen our quality of services and reputation, and increase our chances of to compete securing new property management projects. Consequently, this contributes to the sustainable development of the Company and provides more streams of revenue in the long run.

- (v) HK\$2.7 million or 3.0% of net proceeds from the Global Offering will be used for working capital and general corporate purpose. We expect the demand for working capital to increase as a result of continuous expansion of our business and operations through both our organic growth and mergers and acquisitions, as well as continuous expansion of our portfolio of services.

The above allocation of the net 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 indicative Offer Price range stated in this prospectus.

If the Offer Price is fixed at HK\$1.56 per Share (being the high end of the indicative Offer Price range stated in this prospectus), we will receive net proceeds of HK\$103.8 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\$1.28 per Share (being the low end of the indicative Offer Price Range stated in this prospectus), we will receive net proceeds of HK\$77.7 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations.

To the extent that the net proceeds from the Global Offering are not immediately applied to the purposes described above and to the extent permitted by applicable laws and regulations, we intend to place the net proceeds from the Global Offering in short-term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

UNDERWRITING

UNDERWRITERS

The Hong Kong Underwriters are and the International Underwriters are expected to be:

Southwest Securities (HK) Brokerage Limited

CLC Securities Limited

ABCI Securities Company Limited

Ping An Securities Limited

AMC Wanhai Securities Limited

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 (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

HONG KONG PUBLIC OFFERING UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

UNDERWRITING

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) have the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if it sees fit upon the occurrence of, but not limited to any of the following events:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or
 - (ii) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
 - (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
 - (iv) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (vi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (vii) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or
- (viii) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (ix) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (x) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (xi) any change or development involving a prospective change, or a materialisation of any of the risks set out under the section headed “Risk Factors” in this prospectus; or
- (xii) any change in the system under which the value of the Hong Kong dollar is linked to that of the US dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (xiii) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or

UNDERWRITING

- (xv) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or
- (xvi) non-compliance of this prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xvii) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (xviii) any material loss or damage sustained by any member of our Group; or
- (xix) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any member of our Group; or
- (xx) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (xxi) the chairman or president of our Company vacating his office; or
- (xxii) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (xxiii) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (xxiv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, or

which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (i) is or will or may individually or in the aggregate have a material adverse effect on the assets, liabilities business, general affairs, management, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or prospects of our Group taken as a whole;

UNDERWRITING

- (ii) has or will or may have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (iii) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, and/or the Global Offering to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Global Offering on the terms and in the manner contemplated in this prospectus; or
 - (iv) has or will 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 which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall become aware of the fact that, or have cause to believe that:
- (i) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (ii) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement, advertisement or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document were to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole;
 - (iii) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
 - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom;
 - (v) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group;

UNDERWRITING

- (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold 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
- (vii) we withdraw this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

UNDERTAKINGS

Undertakings pursuant to the Hong Kong Underwriting Agreement

By Our Company

We have undertaken to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, and each of our Controlling Shareholders and the executive Directors have undertaken to and covenants with the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that she/he/it will procure our Company that:

- (a) except pursuant to the Global Offering, the Capitalisation Issue and the exercise of any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), which consent shall not be reasonably withheld and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Hong Kong Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

UNDERWRITING

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Global Offering, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07(2) of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and

- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein,

provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

UNDERWRITING

By our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that, except pursuant to the Global Offering, the Capitalisation Issue and unless in compliance with the Listing Rules, he/it shall not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of his/her/its close associates (as defined in the Listing Rules) or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, during the First Six-month Period:

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he/she/it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he/she/it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

UNDERWRITING

Without prejudice to our Controlling Shareholders undertaking above, each of our Controlling Shareholders undertakes to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Hong Kong Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he/she/it shall:

- (a) if and when he/she/it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners and Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, make a public disclosure by way of announcement if so required by the Stock Exchange or the Listing Rules and comply all the requirements in accordance with the Listing Rules.

Each of our Company and our Controlling Shareholders agrees and undertakes that each of them will not, and each Controlling Shareholder further undertakes to procure that Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holding of Shares held by the public (as such expression means under the Listing Rules) below 25% on or between the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) which consent shall not be unreasonably withheld.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the exercise of any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company, respectively, that, except pursuant to the Global Offering, he/it will not and will procure that the relevant registered Shareholder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company.

In addition, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it will, within a period of commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

INTERNATIONAL OFFERING

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, inter alia, the International Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above. Under the International Underwriting Agreement, subject to conditions set forth therein, the International Underwriters are expected to severally agree to subscribe or procure subscribers to subscribe for the International Offer Shares being offered pursuant to the International Offering.

UNDERWRITING

It is expected that the International Underwriting Agreement may be terminated on grounds similar to those set out in the Hong Kong Underwriting Agreement as described in the paragraph headed “Hong Kong Public Offering Underwriting Arrangements and Expenses – The Hong Kong Underwriting Agreement – Grounds for Termination” in this section.

Prospective investors should note that if the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the International Underwriting Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings” in this section.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive a gross underwriting commission of 6.5% of the aggregate Offer Price of the Hong Kong Offer Shares, out of which any sub-underwriting commission, praecipium and selling concession will be paid, and discretionary incentive fees (if any). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriter(s) and not the Hong Kong Underwriters.

The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are currently estimated to be approximately HK\$51.2 million in aggregate, based on an Offer Price of HK\$1.42 per Offer Share, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

SOLE SPONSOR’S AND UNDERWRITERS’ INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Global Offering. The Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission and expenses” in this section.

UNDERWRITING

Save for their respective interest and obligations to the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Shares of any member of our Group or any right or option (whether legally enforceable or not) to subscribe or purchase for or to nominate persons to subscribe for securities in any member of our Group or has any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering comprises:

- (a) the Hong Kong Public Offering of 10,000,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “the Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 90,000,000 International Offer Shares (subject to reallocation as mentioned below).

Investors may apply for Offer Shares under the Hong Kong Public Offering or, if qualified to do so, apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The 100,000,000 Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation. 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 (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering 10,000,000 Hong Kong Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Global Offering and Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional 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 as set out in the paragraph headed “Conditions of the Global Offering” in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely 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. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Hong Kong Offer Shares 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.

The total available Shares under the Hong Kong Public Offering (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for 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 and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 5,000,000 and 5,000,000, respectively.

Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering will be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

Pursuant to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, the allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation, which would have the effect of increasing the number of Hong Kong Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached, and is subject to the following:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators has 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;
 - (ii) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offering will be up to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Global Offering;
 - (iii) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 20,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Global Offering;
 - (iv) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 30,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Global Offering;
- and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (v) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Global Offering.
- (b) where the International Offer Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to up to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK\$1.28 per Offer Share) according to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

In all cases (save for in the circumstance described in paragraph (a)(i) above), the number of Offer Shares allocated to the International Offering will be correspondingly reduced. Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 11 July 2019.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B 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 and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate Offer Shares from International Offering to the Hong Kong Public Offering in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate to satisfy valid applications under the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also 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 if he or she has been or will be placed or allocated International Offer Shares under the International Offering.

INTERNATIONAL OFFERING

Number of the International Offer Shares

The number of the Offer Shares to be initially offered for subscription under the International Offering will be 90,000,000 Shares representing 90% of the Offer Shares initially available under the Global Offering (subject to re-allocation) and approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. The International Offering is expected to be fully underwritten by the International Underwriters.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offer Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a stable demand for the International Offer Shares in Hong Kong. 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. The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the paragraph headed “Structure and Conditions of the Global Offering – Pricing and Allocation” in this prospectus, and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

PRICING AND ALLOCATION

Determination of the Offer Price

The International Underwriters will be soliciting from prospective investors’ indications of interest in acquiring the Offer Shares in the International Offering. Prospective 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 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 Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 3 July 2019, by agreement between the Company, the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Offer Price Range

The Offer Price will not be more than HK\$1.56 per Offer Share and is expected to be not less than HK\$1.28 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Price Payable on Application

Applicants for Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.56 for each Hong Kong Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,151.44 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.56 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 4 July 2019, the Global Offering will not proceed and will lapse.

Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Changes to Offer Price Range

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process in respect of the International Offering, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company 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, cause to be published on the Stock Exchange’s website at www.hkexnews.hk, and our Company’s website at www.hevolwy.com.cn, notices of such reduction. Upon issuing such notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics, and any other financial information in this prospectus which may change as a result of any such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators and with our consent, considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Company's website and the Stock Exchange's website, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If an indicative Offer Price range and/or number of Offer Shares is reduced, we will issue a supplemental prospectus updating investors of the change in the indicative offer price together with an update of all financial and other information in connection with such change; extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications. Details of the arrangement will then be announced by the Company as soon as practicable.

Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

We expect to announce the final Offer Price, level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 11 July 2019 on the website of the Stock Exchange at www.hkexnews.hk, and our Company's website at www.hevolwy.com.cn.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange and such approval not having been withdrawn;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (c) the Offer Price having been determined and the execution of the related agreement on or around the Price Determination Date,

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 on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its 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 websites of our Company and the Stock Exchange at www.hevolwy.com.cn and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Offer Shares”. 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 licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on or before Thursday, 11 July 2019 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting – Hong Kong Public Offering Underwriting Arrangements and Expenses – Grounds for termination” in this prospectus has not been exercised at or before that time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 12 July 2019, dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 12 July 2019. Our Shares will be traded in board lot of 2,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. 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. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

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

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **White Form eIPO** service at www.eipo.com.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Global Coordinators and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

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 authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Global Coordinators or their respective agents and nominees may accept or reject it at its 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 **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- (a) are an existing beneficial owner of Shares and/or any of our subsidiaries;
- (b) are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- (c) are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- (d) are a close associate of any of the above; and/or
- (e) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR THE 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 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 from 9:00 a.m. on Thursday, 27 June 2019 until 12:00 noon on Wednesday, 3 July 2019 from:

- (a) any of the following address of the Underwriters
 - Southwest Securities (HK) Brokerage Limited
CLC Securities Ltd.
 - 40/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
 - 3rd Floor, Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
 - ABC I Securities Company Limited
10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
 - Ping An Securities Limited
18/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
 - AMC Wanhai Securities Limited
1605, West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong
- (b) or any of the following branches of Bank of China (Hong Kong) Limited

	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F Wing On House 71 Des Voeux Road Central Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 27 June 2019 until 12:00 noon on Wednesday, 3 July 2019 from:

- (a) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (b) 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 – HEVOL SERVICES GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 27 June 2019 – 9:00 a.m. to 5:00 p.m.
Friday, 28 June 2019 – 9:00 a.m. to 5:00 p.m.
Saturday, 29 June 2019 – 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019 – 9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 3 July 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications 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:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (d) 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or 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);
- (g) 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;
- (h) agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any parties involved in the Global offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any parties involved in the Global offering 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominee, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or any e-Refund payment instructions 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;
- (p) understand that our 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;
- (q) 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;
- (r) (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
- (s) (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 Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply for the Hong Kong Offer Shares" section, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application online to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 27 June 2019 until 11:30 a.m. on Wednesday, 3 July 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 3 July 2019 or such later time under the paragraph headed “10. 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 **White Form eIPO** 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.

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).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Hevol Services Group Co. Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 monies 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 2979 7888 or through the CCASS Internet System at <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 Centre
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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the 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:

- (a) 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) HKSCC Nominees will do the following things on your behalf:
- (i) 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;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (iii) 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;
 - (iv) (if the electronic applications are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - (vi) confirm that you understand that our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees 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;
 - (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - (ix) 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;
 - (x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or 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);

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- (xii) 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;
- (xiii) 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a 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;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) 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 giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 final Offer Price is less than the Offer Price per Hong Kong Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised 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 of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 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⁽¹⁾:

Thursday, 27 June 2019	– 9:00 a.m. to 8:30 p.m.
Friday, 28 June 2019	– 8:00 a.m. to 8:30 p.m.
Saturday, 29 July 2019	– 8:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019	– 8:00 a.m. to 8:30 p.m.
Wednesday, 3 July 2019	– 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this paragraph 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 27 June 2019 until 12:00 noon on Wednesday, 3 July 2019 (24 hours daily, except on Wednesday, 3 July 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 3 July 2019, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** service is also only a facility provided by **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE 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 Wednesday, 3 July 2019.

8. 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:

- (a) an account number; or
- (b) 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.

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 **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:

- (a) the principal business of that company is dealing in securities; and
- (b) 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:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 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 Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure and Conditions of the Global Offering – Pricing and Allocation – Determination of the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 3 July 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 3 July 2019 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.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 11 July 2019 on our Company’s website at www.hevolwy.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.hevolwy.com.cn and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 11 July 2019;
- (b) 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 Thursday, 11 July 2019 to 12:00 midnight on Wednesday, 17 July 2019;
- (c) by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 11 July 2019 to Sunday, 14 July 2019; and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 July 2019 to Saturday, 13 July 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) 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, 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 our Company.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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) 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 may withdraw 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.

(b) If our Company or our agents exercise their discretion to reject your application:

Our 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.

(c) If the allotment of the Hong Kong Offer Shares is void:

The allotment of the Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (iv) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations;
or
- (viii) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.56 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and 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 Thursday, 11 July 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made 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** 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:

- (a) 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) refund cheque(s) crossed “Account Payee Only” in favour 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 final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and 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 despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 11 July 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 July 2019 provided that the Global Offering has become unconditional and the right of termination described in the paragraph headed “Underwriting – Hong Kong Public Offering Underwriting Arrangements and Expenses – The Hong Kong Underwriting Agreement – Grounds for termination” 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

(a) If you apply using a WHITE 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 the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised 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 despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Thursday, 11 July 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, 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 Thursday, 11 July 2019, 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 Thursday, 11 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) 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.

(d) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 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.

(e) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019, or such other date as notified by our Company as the date of despatch/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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Thursday, 11 July 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the 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

- (i) 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 Thursday, 11 July 2019 or on any other date determined by HKSCC or HKSCC Nominees.
- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offer Shares in the manner specified in the paragraph headed "11. Publication of Results" above on Thursday, 11 July 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (iv) 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 Thursday, 11 July 2019. 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.

- (v) 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 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 Thursday, 11 July 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-47, 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 Sole Sponsor pursuant to the requirements of HKSIR 200 "Accountants' 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 HEVOL SERVICES GROUP CO. LIMITED AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED

Introduction

We report on the historical financial information of Hevol Services Group Co. Limited (the "Company", formerly known as Hevol Inc.) and its subsidiaries (together, the "Group") set out on pages I-4 to I-47, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018, the statement of financial position of the Company as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 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-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 June 2019 (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 gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information, 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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purpose of the accountant's report, a true and fair view of the Group's consolidated financial position as at 31 December 2016, 2017 and 2018 and the Company's financial position as at 31 December 2018 and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27 June 2019

Lin Ching Yee Daniel

Practising Certificate No.: P02771

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated 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 International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") ("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.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	169,027	196,027	224,450
Cost of sales		(118,550)	(129,906)	(143,958)
Gross profit		50,477	66,121	80,492
Other income	5	5,403	1,827	1,573
Administrative expenses		(29,927)	(37,251)	(39,966)
Listing-related expenses		–	–	(11,694)
Profit before income tax	6	25,953	30,697	30,405
Income tax expense	8	(7,219)	(8,827)	(13,519)
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>18,734</u>	<u>21,870</u>	<u>16,886</u>
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)				
Basic and diluted	10	<u>6.24</u>	<u>7.29</u>	<u>5.63</u>

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	12	1,935	1,853	2,979
Intangible assets	13	161	182	924
Investment properties	14	42,746	33,073	31,988
Deferred tax assets	18	4,586	3,880	4,766
		<u>49,428</u>	<u>38,988</u>	<u>40,657</u>
Current assets				
Inventories	15	17	24	68
Trade and other receivables	16	74,393	81,064	85,072
Bank balances and cash		76,285	113,297	134,417
		<u>150,695</u>	<u>194,385</u>	<u>219,557</u>
Current liabilities				
Contract liabilities	4	48,984	58,900	73,116
Trade and other payables	17	79,436	78,831	87,950
Income tax liabilities		8,979	11,048	14,442
		<u>137,399</u>	<u>148,779</u>	<u>175,508</u>
Net current assets		<u>13,296</u>	<u>45,606</u>	<u>44,049</u>
Total assets less current liabilities		<u>62,724</u>	<u>84,594</u>	<u>84,706</u>
Non-current liabilities				
Deferred tax liabilities	18	–	–	4,600
Net assets		<u>62,724</u>	<u>84,594</u>	<u>80,106</u>
EQUITY				
Share capital	19	30,000	30,000	–*
Reserves	20	32,724	54,594	80,106
Total equity		<u>62,724</u>	<u>84,594</u>	<u>80,106</u>

* The balance represents amount less than RMB1,000.

(C) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December 2018 <i>RMB'000</i>
Non-current assets		
Investment in subsidiaries (<i>note</i>)		101,178
Current assets		
Other receivables	<i>16</i>	4,157
Current liabilities		
Other payables	<i>17</i>	15,851
Net current liabilities		<u>(11,694)</u>
Net assets		<u><u>89,484</u></u>
EQUITY		
Share capital	<i>19</i>	_*
Reserves	<i>20</i>	89,484
Total equity		<u><u>89,484</u></u>

* The balance represents amount less than RMB1,000.

Note: Details of the principal subsidiaries are stated in note 1.1.

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve*	Statutory reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i> <i>(note 20)</i>	<i>RMB'000</i> <i>(note 20)</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2016	30,000	4,000	3,213	6,777	43,990
Profit and total comprehensive income for the year	–	–	–	18,734	18,734
Transactions with owners					
– Appropriation to statutory reserve	–	–	2,189	(2,189)	–
Balance at 31 December 2016 and 1 January 2017	30,000	4,000	5,402	23,322	62,724
Profit and total comprehensive income for the year	–	–	–	21,870	21,870
Transactions with owners					
– Appropriation to statutory reserve	–	–	2,014	(2,014)	–
Balance at 31 December 2017 and 1 January 2018	30,000	4,000	7,416	43,178	84,594
Profit and total comprehensive income for the year	–	–	–	16,886	16,886
Transactions with owners					
– Shares issued on incorporation of the Company and allotment of shares (<i>note 19</i>)	–**	–	–	–	–**
– Dividend paid (<i>note 9</i>)	–	–	–	(21,600)	(21,600)
– Capital contributions from the shareholders (<i>note 20</i>)	–	7,633	–	–	7,633
– Deemed distribution arising from the Reorganisation (<i>note 20</i>)	–	(7,407)	–	–	(7,407)
– Effect of the Reorganisation	(30,000)	30,000	–	–	–
– Appropriation to statutory reserve	–	–	1,603	(1,603)	–
Total transactions with owners	(30,000)	30,226	1,603	(23,203)	(21,374)
Balance at 31 December 2018	–**	34,226	9,019	36,861	80,106

* The total of these amounts as at the reporting dates represents “Reserves” in the consolidated statements of financial position.

** The balance represents amount less than RMB1,000.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	25,953	30,697	30,405
Adjustments for:			
Amortisation of intangible assets	89	84	58
Depreciation of property, plant and equipment	760	798	612
Depreciation of investment properties	1,424	1,302	1,085
Interest income	(165)	(242)	(293)
Gain on disposal of investment properties	(3,079)	(1,423)	–
Provision for impairment loss on trade and other receivables	2,354	2,129	2,986
Loss on disposal of property, plant and equipment	–	59	42
Write-off of intangible assets	–	–	3
Operating profit before working capital changes	27,336	33,404	34,898
Decrease/(Increase) in inventories	15	(7)	(44)
Increase in trade and other receivables	(30,789)	(8,150)	(4,005)
Increase in contract liabilities	5,413	9,916	14,216
Increase/(Decrease) in trade and other payables	18,814	(415)	4,129
Cash generated from operations	20,789	34,748	49,194
Interest received	165	242	293
Income tax paid	(7,251)	(6,052)	(6,411)
Net cash from operating activities	13,703	28,938	43,076
Cash flows from investing activities			
Purchase of property, plant and equipment	(761)	(775)	(1,780)
Purchase of intangible assets	–	(105)	(803)
Proceeds from disposal of investment properties	8,153	9,794	–
(Increase)/Decrease in amounts due from related parties	(2,777)	(650)	640
Net cash from/(used in) investing activities	4,615	8,264	(1,943)
Cash flows from financing activities			
Increase/(Decrease) in amounts due to related parties	9	(190)	216
Payment for deferred IPO costs	–	–	(3,629)
Dividend paid	–	–	(21,600)
Capital contribution from shareholders	–	–	7,633
Deemed distribution arising from the Reorganisation	–	–	(2,633)
Net cash from/(used in) financing activities	9	(190)	(20,013)
Net increase in cash and cash equivalents	18,327	37,012	21,120
Cash and cash equivalents at beginning of year	57,958	76,285	113,297
Cash and cash equivalents at end of year, represented by bank balances and cash	76,285	113,297	134,417

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Hevol Services Group Co. Limited (the “Company”, formerly known as Hevol Inc.) was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of property management services and value-added services in the People’s Republic of China (the “PRC”) (the “Listing Business”).

Prior to the incorporation of the Company, the Listing Business were carried out by Beijing Hongsheng Investment Limited 北京泓升投資有限責任公司, (“Beijing Hongsheng”, formerly known as Beijing Hongsheng Investment Company Limited 北京泓升投資股份有限公司) and its subsidiaries (collectively “Beijing Hongsheng Group”). Beijing Hongsheng was established on 13 January 2006 and listed on the National Equities Exchange and Quotations Co., Ltd. (“NEEQ”) in the PRC on 5 January 2016. Beijing Hongsheng was delisted from NEEQ on 17 April 2018 and became a limited liability company.

In the opinion of the directors, as at 31 December 2018, the ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands. The controlling shareholder of the Group is Mr. Liu Jiang (“Mr. Liu” or the “Controlling Shareholder”).

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, reorganisation and corporate structure” to the Prospectus, the Reorganisation was completed on 26 December 2018.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of company	Country/ place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held			The date of this report	Principal activities	Note
			As at					
			31 December					
2016	2017	2018						
Directly held by the Company								
Hevol Group Limited	Hong Kong/ 7 June 2018	US\$1	-	-	100%	100%	Investment holding	(a)
Rime Venture Limited (“Rime Venture”)	British Virgin Islands (“BVI”)/ 28 March 2018	US\$1	-	-	100%	100%	Investment holding	(a)
Indirectly held by the Company								
Rime Venture (HK) Limited (“Rime Venture (HK)”)	Hong Kong/ 23 May 2018	US\$1	-	-	100%	100%	Investment holding	(a)
Guizhou Furuiming Information Consultancy Limited (“Guizhou WFOE”) 貴州福瑞盈信息諮詢有限公司	PRC/ 13 September 2018	RMB1,000,000	-	-	100%	100%	Management consultation and Investment holding	(a)
Guizhou Hevol Abundance Property Management Limited (“Guizhou Hevol”) 貴州和泓豐盈物業管理有 限公司	PRC/ 19 July 2018	RMB5,000,000	-	-	100%	100%	Investment holding	(a)

Name of company	Country/ place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held			The date of this report	Principal activities	Note
			As at					
			2016	2017	2018			
Beijing Hongsheng	PRC/ 13 January 2006	RMB30,000,000	100%	100%	100%	100%	Investment holding	(b)
Beijing Hevol Property Services Company Limited 北京和泓物業服務有限公司	PRC/ 9 April 2002	RMB12,000,000	100%	100%	100%	100%	Property management services	(a)
Tianjin Hevol Property Management Services Company Limited 天津和泓物業管理服務有限公司	PRC/ 30 April 2008	RMB1,000,000	100%	100%	100%	100%	Property management services	(a)
Chongqing Hevol Property Services Company Limited 重慶和泓物業服務有限公司	PRC/ 22 June 2007	RMB3,000,000	100%	100%	100%	100%	Property management services	(a)
Tangshan Hevol Property Services Company Limited 唐山和泓物業服務有限公司	PRC/ 11 January 2011	RMB500,000	100%	100%	100%	100%	Property management services	(a)
Shenyang Hevol Property Services Company Limited 瀋陽和泓物業服務有限公司	PRC/ 16 August 2010	RMB1,000,000	100%	100%	100%	100%	Property management services	(a)
Hunan Hehua Property Services Company Limited 湖南和華物業服務有限公司	PRC/ 26 November 2012	RMB2,000,000	100%	100%	100%	100%	Property management services	(a)
Guiyang Hevol Property Services Company Limited 貴陽和泓物業服務有限公司	PRC/ 9 November 2006	RMB500,000	100%	100%	100%	100%	Property management services	(a)
Hainan Hevol Hotel Property Services Company Limited 海南和泓酒店物業服務有限公司	PRC/ 18 January 2012	RMB5,000,000	100%	100%	100%	100%	Property management services	(a)

Notes:

- (a) No audited financial statements were issued for these companies as they were newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective places of incorporation.
- (b) The statutory consolidated financial statements of Beijing Hongsheng for the years ended 31 December 2016 and 2017 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合伙). No audited financial statements of Beijing Hongsheng were issued for the year ended 31 December 2018 as it is not required to issue audited financial statements under the statutory requirements after delisted from NEEQ on 17 April 2018.

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

All companies comprising the Group have adopted 31 December as their financial year end date.

1.2 Basis of presentation and reorganisation

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” and in the section headed “History, reorganisation and corporate structure” in the Prospectus, immediately prior to and after the Reorganisation, the Listing Business is held by Beijing Hongsheng and is mainly conducted through Beijing Hongsheng and its wholly owned subsidiaries. Pursuant to the Reorganisation, Beijing Hongsheng and the Listing Business are transferred to and held by the Company on 30 October 2018. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Beijing Hongsheng Group and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Beijing Hongsheng Group with the assets and liabilities of the Group recognised and measured at their carrying amounts of the Listing Business under the consolidated financial statements of Beijing Hongsheng Group for all periods presented. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). All IFRSs effective for the financial year beginning on or before 1 January 2018 (including IFRS 9 and IFRS 15) are consistently applied to the Group for the Track Record Period.

The Historical Financial Information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on the management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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 3 below.

2.1.1 Issued but not effective IFRSs

A number of new standards and amendments to standards and interpretations have been issued but not yet effective for annual periods beginning after 1 January 2018, and have not been applied in preparing the Historical Financial Information:

IFRS 16	Leases ¹
IFRS 17	Insurance Contract ³
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IAS 1 and IAS 8	Definition of Material ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRS 3	Definition of a Business ⁵
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle ¹
Amendments to IFRSs	References to the Conceptual Framework in IFRSs ²
IFRIC 23	Uncertainty over Income Tax Treatments ¹

- 1 Effective for annual periods beginning on or after 1 January 2019
- 2 Effective for annual periods beginning on or after 1 January 2020
- 3 Effective for annual periods beginning on or after 1 January 2021
- 4 Effective date not yet determined
- 5 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective except those set out below:

IFRS 16 "Leases"

IFRS 16 "Leases" replaced IAS 17 and three related Interpretations.

As disclosed in note 2.12, currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a lease liability and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application (if any) as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply IFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 21, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately RMB1,117,000 for leases of properties.

Upon the initial application of IFRS 16, the Group plans to measure the rights-of-use assets at an amount equal to the lease liability (subject to certain adjustments) in respect of all these leases unless they qualify for low value or short-term leases.

The directors anticipate that the application of IFRS 16 would increase the Group's assets and liabilities by RMB896,000 and RMB896,000, respectively on 1 January 2019, and would not result in a significant change to the financial performance of the Group.

2.2 Basis of consolidation and combination

The Historical Financial Information incorporates the financial information of the Company and its subsidiaries made up to respective year and period end dates during 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 subsidiaries in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial information 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 Historical Financial Information are presented in RMB, which is the same as the Company's functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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 presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, as follows:

Furniture and fixtures and office equipment	20%
Motor vehicles	20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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.

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 charged to profit or loss during the financial period in which they are incurred.

2.5 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Subsequent to initial recognition, investment properties measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the term of the lease or right of use of 20-43 years using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.6 Intangible assets

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years). Amortisation commences when the intangible assets are available for use.

2.7 Financial assets

(i) 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, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in 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.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **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 profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is calculated using the effective interest rate method.
- **Fair value through other comprehensive income:** Financial 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 other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest calculated using the effective interest method 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 other comprehensive income is reclassified from equity to profit or loss.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instruments 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 within profit or loss in the period in which it arises.

(iii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2.8 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which required lifetime ECL to be recognised from initial recognition of the trade receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

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.

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).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in the profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognised in profit or loss of the period in which the reversal occurs.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

2.11 Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as expenses in the period in which they are incurred.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to 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. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

2.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.15 Revenue recognition

The Group provides property management services, community-related services and property developer-related 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.

Community-related services

For community-related services, revenue is recognised when the related community value-added services are rendered. Community-related services are normally billable immediately upon the services are rendered.

Property developer-related services

Property developer-related services include mainly i) on-site sales assistance services, which primarily included cleaning and security services to property developers, which are billed and settled based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided and ii) property delivery related and other consulting services with property developers which are billed on monthly basis and revenue is recognised when the services are provided.

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 consolidated statements 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 recognises a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.16 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.17 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in other payables as deferred government grants in the consolidated statements of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income" in the consolidated statements of profit or loss and other comprehensive income.

2.18 Impairment of non-financial assets

Property, plant and equipment, intangible assets and investment properties are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.19 Employee benefits

Retirement benefit

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

Contributions are recognised as an expense in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefit

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.20 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Historical Financial Information in the period which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.24 Related parties

For the purpose of the 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 over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

- (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).
 - (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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

Impairment of trade and other receivables

The Group makes allowances on trade and other receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

As at 31 December 2016, 2017 and 2018, the carrying amounts of trade and other receivables are RMB74,393,000, RMB81,064,000 and RMB85,072,000, respectively. Details of the provision for impairment of trade and other receivables are set out in note 16.

Current and deferred income taxes

As detailed in note 8, the Group is subject to enterprise 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.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the “CODM”), being the executive directors of the Group. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group’s revenue is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from customers and recognised over time			
Property management services	115,927	136,340	155,327
Value added services:			
– Community-related services	40,903	51,438	55,252
– Property developer-related services	12,197	8,249	13,871
	<u>169,027</u>	<u>196,027</u>	<u>224,450</u>

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2016, 2017 and 2018, substantially all of the non-current assets (other than deferred tax assets) of the Group were located in the PRC.

Information about major customers

For the years ended 31 December 2016, 2017 and 2018, revenue from companies controlled by the Controlling Shareholder contributed 16.4%, 13.4% and 13.0% of the Group’s revenue, respectively. Other than companies controlled by the Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group’s revenue for the Track Record Period.

(a) Contract liabilities

The Group recognises the following revenue-related contract liabilities:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>48,984</u>	<u>58,900</u>	<u>73,116</u>

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Significant increase in contract liabilities as at 31 December 2017 and 2018 was primarily due to increase of property management projects in the Group’s project portfolio.

(b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year			
Property management services	31,599	35,435	41,865
Community-related service	9,686	3,099	3,697
	<u>41,285</u>	<u>38,534</u>	<u>45,562</u>

(c) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to property developers is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community-related services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of the reporting period.

(d) Assets recognised from incremental costs to obtain a contract

The Group has no significant incremental costs to obtain or fulfil a contract. Accordingly, no contract asset was recognised during the Track Record Period.

5. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	165	242	293
Gain on disposal of investment properties	3,079	1,423	–
Unconditional government subsidy income	2,068	45	1,190
Sundry income	91	117	90
	<u>5,403</u>	<u>1,827</u>	<u>1,573</u>

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration	764	723	–
Amortisation of intangible assets	89	84	58
Depreciation of property, plant and equipment	760	798	612
Depreciation of investment properties	1,424	1,302	1,085
Loss on disposal of property, plant and equipment	–	59	42
Write-off of intangible assets	–	–	3
Provision for impairment on trade and other receivables	2,354	2,129	2,986
Operating lease charges on premises	1,592	1,179	1,039
	<u>1,592</u>	<u>1,179</u>	<u>1,039</u>

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonus and allowances	49,218	55,720	61,126
Retirement benefit scheme contributions	8,079	9,587	11,338
Severance payments	44	11	195
Other employee benefits	6,246	6,351	5,954
	<u>63,587</u>	<u>71,669</u>	<u>78,613</u>

8. INCOME TAX EXPENSE

	<i>Note</i>	Year ended 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC enterprise income tax				
Current year		8,025	8,121	9,805
Deferred tax	<i>18</i>			
Origination and reversal of temporary differences		(806)	(403)	4,104
Effect on deferred tax balances resulting from changes in tax rates		–	1,109	(390)
		<u>(806)</u>	<u>706</u>	<u>3,714</u>
Total income tax expense		<u>7,219</u>	<u>8,827</u>	<u>13,519</u>

The difference between the actual income tax charge in the consolidated statements of profit or loss and comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before income tax	25,953	30,697	30,405
Tax on profit before income tax, calculated at the statutory rates applicable to the tax jurisdiction concerned	6,302	5,768	8,637
Tax effect on non-deductible expenses	799	1,086	704
Tax effect of tax losses not recognised	717	1,064	720
Utilisation of tax losses previously not recognised	(599)	(200)	(752)
Effect on deferred tax balances resulting from changes in tax rates	–	1,109	(390)
Deferred tax charge on withholding tax on undistributed profits (<i>note 18</i>)	–	–	4,600
Income tax expense	7,219	8,827	13,519

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the Track Record Period.

(c) PRC enterprise income tax

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practises in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Programme was 15% for the years ended 31 December 2017 and 2018.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2016, 2017 and 2018. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB300,000 for the year ended 31 December 2016, RMB500,000 for the year ended 31 December 2017 and RMB1,000,000 for the year ended 31 December 2018, were also entitled a tax concession for 50% of its taxable income.

(d) PRC withholding income tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. DIVIDENDS

No dividends have been paid or declared by the Company during the Track Record Period. On 14 February 2019, an interim dividend for the period ended 14 February 2019 of RMB25,400,000 has been declared and approved by the board of directors of the Company to the shareholders. The interim dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2019.

In July 2018, a dividend amounting to RMB21,600,000 has been proposed, approved and paid by subsidiaries of the Company to the then shareholders of Beijing Hongsheng.

10. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Reorganisation and the capitalisation issue as described in note 26(i) as if the Reorganisation and capitalisation issue had been completed on 1 January 2016.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December		
	2016	2017	2018
Profit attributable to equity holders of the Company (RMB'000)	18,734	21,870	16,886
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	300,000	300,000	300,000
Basic earnings per share (expressed in RMB cents per share)	6.24	7.29	5.63

(b) Diluted earnings per share

Diluted earnings per share for the Track Record Period equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the Track Record Period.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments of the individual director of the Company during the Track Record Period which were included in the employee benefit expenses are set out below:

Name of director	Notes	Basic salaries and allowances		Retirement benefit scheme contributions	Total
		Fees			
		RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016					
Executive directors:					
Mr. Wang Wenhao	(i), (iv)	–	172	62	234
Ms. Hu Hongfang	(iii)	–	–	–	–
Non-executive directors:					
Mr. Liu	(ii)	–	–	–	–
Mr. Zhou Wei	(iv)	–	382	106	488
		–	554	168	722
Year ended 31 December 2017					
Executive directors:					
Mr. Wang Wenhao	(i), (iv)	–	163	71	234
Ms. Hu Hongfang	(iii)	–	–	–	–
Non-executive directors:					
Mr. Liu	(ii)	–	–	–	–
Mr. Zhou Wei	(iv)	–	372	114	486
		–	535	185	720
Year ended 31 December 2018					
Executive directors:					
Mr. Wang Wenhao	(i), (iv)	–	148	76	224
Ms. Hu Hongfang	(iii)	–	–	–	–
Non-executive directors:					
Mr. Liu	(ii)	–	–	–	–
Mr. Zhou Wei	(iv)	–	476	121	597
		–	624	197	821

Notes:

- (i) Mr. Wang Wenhao is also the chief executive officer of the Group.
- (ii) Appointed on 28 May 2018.
- (iii) Appointed on 9 August 2018.
- (iv) Appointed on 13 February 2019.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the Track Record Period.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 December 2016, 2017 and 2018, the five individuals whose emoluments were the highest in the Group include 2, 2 and 1 director, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 3, 3 and 4 individuals are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	589	596	975
Retirement benefit scheme contributions	237	249	291
	<u>826</u>	<u>845</u>	<u>1,266</u>

The aggregate of the emoluments in respect of the remaining 3, 3 and 4 individuals for the years ended 31 December 2016, 2017 and 2018 fell within the following bands:

	Year ended 31 December		
	2016	2017	2018
Emolument bands			
Nil – HK\$1,000,000	<u>3</u>	<u>3</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016			
Cost	4,275	3,745	8,020
Accumulated depreciation	<u>(3,003)</u>	<u>(3,083)</u>	<u>(6,086)</u>
Net book amount	<u>1,272</u>	<u>662</u>	<u>1,934</u>

	Furniture and fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2016			
Opening net book amount	1,272	662	1,934
Additions	635	126	761
Depreciation	(481)	(279)	(760)
Closing net book amount	1,426	509	1,935
At 31 December 2016 and 1 January 2017			
Cost	4,908	3,871	8,779
Accumulated depreciation	(3,482)	(3,362)	(6,844)
Net book amount	1,426	509	1,935
Year ended 31 December 2017			
Opening net book amount	1,426	509	1,935
Additions	638	137	775
Disposal	(59)	–	(59)
Depreciation	(546)	(252)	(798)
Closing net book amount	1,459	394	1,853
At 31 December 2017 and 1 January 2018			
Cost	4,691	4,003	8,694
Accumulated depreciation	(3,232)	(3,609)	(6,841)
Net book amount	1,459	394	1,853
Year ended 31 December 2018			
Opening net book amount	1,459	394	1,853
Additions	873	907	1,780
Disposal	(25)	(17)	(42)
Depreciation	(499)	(113)	(612)
Closing net book amount	1,808	1,171	2,979
At 31 December 2018			
Cost	5,133	4,576	9,709
Accumulated depreciation	(3,325)	(3,405)	(6,730)
Net book amount	1,808	1,171	2,979

Depreciation charges recognised is analysed as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	760	798	612

13. INTANGIBLE ASSETS

	Computer software
	<i>RMB'000</i>
At 1 January 2016	
Cost	498
Accumulated amortisation	(248)
Net book amount	250
Year ended 31 December 2016	
Opening net book amount	250
Amortisation	(89)
Closing net book amount	161
At 31 December 2016 and 1 January 2017	
Cost	498
Accumulated amortisation	(337)
Net book amount	161
Year ended 31 December 2017	
Opening net book amount	161
Additions	105
Amortisation	(84)
Closing net book amount	182
At 31 December 2017 and 1 January 2018	
Cost	603
Accumulated amortisation	(421)
Net book amount	182
Year ended 31 December 2018	
Opening net book amount	182
Additions	803
Write-off	(3)
Amortisation	(58)
Closing net book amount	924
At 31 December 2018	
Cost	1,403
Accumulated amortisation	(479)
Net book amount	924

Amortisation charges recognised is analysed as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	89	84	58

14. INVESTMENT PROPERTIES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount	49,244	42,746	33,073
Depreciation	(1,424)	(1,302)	(1,085)
Disposal	(5,074)	(8,371)	–
Closing net book amount	42,746	33,073	31,988

All of the Group's investment properties were purchased from the then shareholder of the Group, Hevol Real Estate Group Limited (和泓置地集團有限公司, "Hevol Real Estate") and its subsidiaries, which are under control by the Controlling Shareholder. The investment properties are held to earn rentals or for capital appreciation.

As at 31 December 2016, 2017 and 2018, the carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates were approximately RMB42,746,000, RMB33,073,000 and RMB31,988,000, respectively. The Group has obtained effective control to these investment properties through contractual arrangement with the seller of the investment properties who holds the title certificates (the "Contractual Arrangement"). Pursuant to the Contractual Arrangements, the Group was entitled to occupy, use, dispose and lease these properties notwithstanding the absence of title certificates. As advised by the Company's PRC legal adviser, the Group had significant risks and rewards of these properties under the Contractual Arrangement. As such, the control, significant risks and rewards of these properties were vested with the Group and the Group had recognised these properties as investment properties.

The Group's investment properties are depreciated on a straight-line basis over the term of the lease or right of use.

As at 31 December 2016, 2017 and 2018, the fair value of the Group's investment properties were approximately RMB135,300,000, RMB125,400,000 and RMB126,600,000, respectively. Valuations of the Group's investment properties as at 31 December 2016, 2017 and 2018 were carried out by an independent and professionally qualified valuer, Savills Valuation and Professional Services Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. The fair value of investment properties is a level 3 recurring fair value measurement and is determined using market comparison approach by reference to recent market price for similar properties. The fair values of the properties without relevant title certificates were estimated as if the Group had valid title certificates. There were no changes to the valuation methodologies during the Track Record Period. Increase/(Decrease) in market unit rate would result in an increase/(decrease) in the fair value of the investment properties.

The followings amounts have been recognised in the consolidated statements of profit or loss and other comprehensive income for investment properties:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasing income (out scope of IFRS 15) included in revenue from value-added service	837	825	825

Apart from depreciation charges of the investment properties, the Group has no material direct operating expenses arising from investment properties that generate leasing income.

15. INVENTORIES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Materials to be used in value-added services	–	8	13
Consumable parts	17	16	55
Closing net book amount	17	24	68

16. TRADE AND OTHER RECEIVABLES

Group

	<i>Notes</i>	As at 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<i>(a)</i>			
– Third parties		32,911	37,626	40,894
– Related parties	<i>22(c)</i>	37,002	41,692	38,947
		69,913	79,318	79,841
Less: Provision for impairment of trade receivables		(8,712)	(10,650)	(13,636)
		61,201	68,668	66,205
Other receivables	<i>(b)</i>			
Deposits, prepayment and other receivables		1,975	2,677	3,224
Payment on behalf of property owners		3,786	2,742	4,794
Advances to employees		1,348	435	1,494
Amounts due from related parties	<i>22(c)</i>	7,637	8,287	7,647
Deferred IPO costs		–	–	3,453
		14,746	14,141	20,612
Less: Provision for impairment of other receivables		(1,554)	(1,745)	(1,745)
		13,192	12,396	18,867
		74,393	81,064	85,072

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade receivables

Trade receivables mainly arise from property management services managed under lump sum basis and value-added services.

Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by property owners upon rendering of services.

The ageing analysis of trade receivables at the end of each of the Track Record Period, based on invoice date and due date, is as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	24,682	27,047	19,355
91 – 180 days	10,596	5,511	5,238
181 – 365 days	11,134	14,330	6,718
1 to 2 years	13,940	15,791	32,872
Over 2 years	9,561	16,639	15,658
	<u>69,913</u>	<u>79,318</u>	<u>79,841</u>

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

As at 31 December 2016, 2017 and 2018, the provision for impairment of trade receivables was determined as follow:

	Third parties					Total
	0 – 90 days	91 – 180 days	181 – 365 days	Over 1 year	Related parties	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 31 December 2016						
Expected loss rate	11.6%	12.3%	15.3%	40.3%	0.5%	
Gross carrying amount	6,956	4,128	6,345	15,482	37,002	69,913
Loss allowance provision	<u>805</u>	<u>510</u>	<u>974</u>	<u>6,238</u>	<u>185</u>	<u>8,712</u>
At 31 December 2017						
Expected loss rate	11.6%	12.3%	15.3%	40.3%	0.5%	
Gross carrying amount	8,009	2,053	7,394	20,170	41,692	79,318
Loss allowance provision	<u>927</u>	<u>254</u>	<u>1,135</u>	<u>8,126</u>	<u>208</u>	<u>10,650</u>
At 31 December 2018						
Expected loss rate	12.8%	16.4%	19.1%	44.3%	0.5%	
Gross carrying amount	6,277	4,582	5,637	24,398	38,947	79,841
Loss allowance provision	<u>801</u>	<u>752</u>	<u>1,077</u>	<u>10,811</u>	<u>195</u>	<u>13,636</u>

The movement in the provision for impairment of trade receivables is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	6,984	8,712	10,650
Provision for impairment	1,728	1,938	2,986
Balance at the end of the year	<u>8,712</u>	<u>10,650</u>	<u>13,636</u>

(b) **Other receivables**

Payment on behalf of property owners

The amounts mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Provision for impairment of other receivables

Impairment on other receivables from third parties (excluding prepayments, advance to employees and deferred IPO costs) are assessed individually and measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment on amounts due from related parties was limited to 12-month expected credit losses, which was 0.5% allowance rate, since the related parties have a strong capacity to meet its contractual cash flow in the near term.

The movement in the provision for impairment of other receivables is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	928	1,554	1,745
Provision for impairment	626	191	–
Balance at the end of the year	<u>1,554</u>	<u>1,745</u>	<u>1,745</u>

Company

	As at 31 December 2018
	RMB'000
Other receivables	
Prepayments	704
Deferred IPO costs	3,453
	<u>4,157</u>

17. TRADE AND OTHER PAYABLES

Group

	Note	As at 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	(a)	5,438	6,539	7,740
Other payables				
Accrued charges and other payables		13,724	16,122	20,163
Amounts collected on behalf of property owners		38,058	33,713	28,556
Other tax liabilities		2,886	3,550	4,623
Staff costs and welfare accruals		18,784	18,551	21,522
Amounts due to related parties	22(c)	546	356	5,346
		73,998	72,292	80,210
		79,436	78,831	87,950

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2016, 2017 and 2018 were considered to be a reasonable approximation of their fair values.

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
0 to 30 days	3,820	5,076	5,480
31 to 180 days	1,384	620	1,169
181 to 365 days	37	271	298
Over 1 year	197	572	793
	5,438	6,539	7,740

Company

	Note	As at
		31 December 2018
		RMB'000
Other payables		
Accrued charges		3,329
Amount due to a subsidiary		11,996
Amount due to a related party	22(c)	526
		15,851

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

18. DEFERRED TAXATION

The amounts recognised in the consolidated statements of financial position are as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised in the consolidated statements of financial position	4,586	3,880	4,766
Deferred tax liabilities recognised in the consolidated statements of financial position	–	–	(4,600)
Net deferred tax assets	<u>4,586</u>	<u>3,880</u>	<u>166</u>

The movement of net deferred tax assets are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	3,780	4,586	3,880
Recognised in profit or loss (note 8)	806	403	(4,104)
Attributable to change in tax rates (note 8)	–	(1,109)	390
At the end of the year	<u>4,586</u>	<u>3,880</u>	<u>166</u>

The movement in deferred tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision and accruals	Impairment loss on receivables	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,844	1,936	3,780
Recognised in profit or loss	<u>230</u>	<u>576</u>	<u>806</u>
At 31 December 2016 and 1 January 2017	2,074	2,512	4,586
Recognised in profit or loss	60	343	403
Attributable to change in tax rates (note 8)	<u>(480)</u>	<u>(629)</u>	<u>(1,109)</u>
At 31 December 2017 and 1 January 2018	1,654	2,226	3,880
Recognised in profit or loss	(80)	576	496
Attributable to change in tax rates (note 8)	<u>201</u>	<u>189</u>	<u>390</u>
At 31 December 2018	<u>1,775</u>	<u>2,991</u>	<u>4,766</u>

Deferred tax liabilities

	Withholding tax on undistributed earnings
	<i>RMB'000</i>
At 1 January 2016, 31 December 2016 and 2017 and 1 January 2018	–
Recognised in profit or loss (<i>note 8</i>)	(4,600)
At 31 December 2018	(4,600)

As at 31 December 2018, accumulated profits of the Group's subsidiaries established in the PRC amounted to RMB70,963,000 which would be subject to withholding taxes according to the relevant laws and regulations in the PRC. In the opinion of the directors, the Group controls the dividend policy of these subsidiaries, 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 and distribute the accumulated profits amounting to RMB46,000,000 in the foreseeable future. Accordingly, deferred tax liabilities of RMB4,600,000 was recognised during the year ended 31 December 2018. As at 31 December 2018, the aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised amounting to approximately RMB24,963,000.

As at 31 December 2016, 2017 and 2018, the Group had unused tax losses of approximately RMB15,545,000, RMB17,672,000 and RMB15,919,000 respectively to carry forward against future taxable income. As at 31 December 2016, 2017 and 2018, no deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2017	1,978	–	–
2018	3,643	3,615	–
2019	4,235	4,235	3,814
2020	2,822	2,822	2,822
2021	2,867	2,746	2,666
2022	–	4,254	3,736
2023	–	–	2,881
	15,545	17,672	15,919

19. SHARE CAPITAL

Group

For the purpose of this report, the share capital as at 31 December 2016 and 2017 represents the combined paid-in capital of the companies now comprising the Group, after elimination of inter-company investments.

With the completion of the Reorganisation on 26 December 2018, the Company became the holding company of the Group and the share capital as at 31 December 2018 represents the issued share capital of the Company comprising 104,734 ordinary shares of US\$0.00001 each. Details of the movements in the share capital of the Company since its date of incorporation to 31 December 2018 are detailed below:

Company

	<i>Notes</i>	<u>Number of shares</u>	<u>Nominal value of shares</u>
			<i>US\$</i>
Authorised:			
Ordinary shares of the Company:			
Ordinary shares upon incorporation and at 31 December 2018	<i>(i)</i>	<u>5,000,000,000</u>	<u>50,000</u>
		<u>Number of shares</u>	<u>Nominal value of shares</u>
	<i>Notes</i>		<u>Equivalent nominal value of shares</u>
			<i>US\$</i>
			<i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of the Company:			
Issued upon incorporation	<i>(i)</i>	100	–
Allotment of shares	<i>(ii)</i>	<u>104,634</u>	<u>1</u>
As at 31 December 2018		<u>104,734</u>	<u>1</u>

* The balance represents amount less than RMB1,000.

Notes:

- (i) The Company was incorporated in the Cayman Islands on 28 May 2018 with an authorised share capital of US\$50,000 divided into 5,000,000,000 ordinary shares of par value of US\$0.00001 each. On incorporation, 100 ordinary share was issued at par to the shareholders of the Company.
- (ii) Pursuant to the Reorganisation, on 19 July 2018 and 26 December 2018, 900 shares and 99,000 shares were allotted and issued to the shareholders of the Company, respectively. On 26 December 2018, the Company allotted and issued 4,734 shares of par value US\$0.00001 to the then shareholder of Rime Venture as consideration in exchange for 100% equity interest in Rime Venture. These shares rank pari passu with the existing shares in all respects.

20. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016, 2017 and 2018 are presented in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be

used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

Capital reserve

For the purpose of this report, the capital reserve of the Group represents the capital contribution from the shareholders.

On 19 July 2018, the then shareholder of Guizhou Hevol and Rime Venture (HK) has injected capital of RMB5,000,000 and RMB2,633,000 to Guizhou Hevol and Rime Venture (HK), respectively. For the purpose of this report, the amount was recorded as a capital contribution.

On 22 August 2018 and 19 October 2018, Rime Venture (HK) and Guizhou WFOE have acquired 4.52% and 95.48% of the issued share capital of Guizhou Hevol, a PRC company which controls the Beijing Hongsheng Group, at a consideration of RMB2,633,000 and RMB4,774,000, respectively. For the purpose of this report, the considerations were accounted for as a deduction of capital reserve.

Company

	Merger reserve	Accumulated losses	Total reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the date of incorporation on 28 May 2018	–	–	–
Loss for the period	–	(11,694)	(11,694)
Reorganisation (<i>note</i>)	101,178	–	101,178
At 31 December 2018	101,178	(11,694)	89,484

Note: With the completion of the Reorganisation on 26 December 2018, the Company became the holding company of the Group, the difference between the carrying values of the subsidiaries being acquired at the time of the Reorganisation and the nominal value of the Company's share capital issued in exchange thereof was recorded as merger reserve.

21. OPERATING LEASE COMMITMENTS

As lessor

At the reporting date, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	886	886	886
In the second to fifth years	3,542	2,731	1,845
After five years	74	–	–
	4,502	3,617	2,731

As lessee

The Group leases properties under operating leases, ranging from 1 to 5 years. The leases have varying lease terms and renewal rights. At the end of each reporting period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	791	853	442
In the second to fifth years	634	1,116	675
	<u>1,425</u>	<u>1,969</u>	<u>1,117</u>

22. RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.24. In addition to the transactions/information disclosed elsewhere in these Historical Financial Information, during the Track Record Period, the Group had the following material transactions with related parties:

- (a) During the Track Record Period, the related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Group
Mr. Liu	Controlling shareholder
Hevol Real Estate	A company controlled by the Controlling Shareholder
Hevol Holding Group Limited (和泓控股集團有限公司)	A company controlled by the Controlling Shareholder
Beijing Fufa Real Estate Development Co., Ltd. (北京福發房地產開發有限公司)	A company controlled by the Controlling Shareholder
Beijing Donghe Weiye Real Estate Development Co., Ltd. (北京東和偉業房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chengdu Hehua Weiye Real Estate Co., Ltd. (成都和華偉業置業有限公司)	A company controlled by the Controlling Shareholder
Chengdu Hevol Real Estate Development Co., Ltd. (成都和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Youshan Real Estate Development Co., Ltd. (重慶佑山房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hevol Investment Co., Ltd (重慶和泓投資有限公司)	A company controlled by the Controlling Shareholder
Chongqing Qishan Shiye Co., Ltd. (重慶祺山實業有限公司)	A company controlled by the Controlling Shareholder
Hunan Hevol Real Estate Development Co., Ltd. (湖南和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Sanya Hevol Real Estate Development Co., Ltd. (三亞和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Hevol Weiye Real Estate Development Co., Ltd. (唐山和泓偉業房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Hevol Real Estate Investment Co., Ltd. (唐山和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Hevol Jiaye Real Estate Development Co., Ltd. (唐山和泓嘉業房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tianjin Taida Hevol Real Estate Development Co., Ltd. (天津泰達和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tianjin Hevol Siji Investment Co., Ltd. (天津和泓四季投資有限公司)	A company controlled by the Controlling Shareholder
Tianjin Hevol Real Estate Development Co., Ltd. (天津和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder

Related parties	Relationship with the Group
Guizhou Donghai Real Estate Development Co., Ltd. (貴州東海房地產開發有限公司)	A company controlled by the Controlling Shareholder
Hainan Lingshui Yihe Real Estate Investment Co., Ltd. (海南陵水億和地產投資有限公司)	A company controlled by the Controlling Shareholder
Heilongjiang Aiwan Real Estate Development Co., Ltd. (黑龍江愛晚房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hevol Jiaye Investment Co., Ltd. (重慶和泓嘉業投資有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hengtuo Real Estate Co., Ltd. (重慶恒拓置業有限公司)	A company controlled by the Controlling Shareholder
Sanya Shunze Real Estate Development Co., Ltd. (三亞順澤房地產開發有限公司)	A company controlled by the Controlling Shareholder
Shenyang Hevol Jiarui Real Estate Development Co., Ltd. (瀋陽和泓嘉瑞房地產開發有限公司)	A company controlled by the Controlling Shareholder

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

- (b) During the Track Record Period, the transactions with related parties of the Group carried in the ordinary course of business were as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Companies controlled by Mr. Liu			
Provision of property management and value-added services	27,745	26,208	29,094
Rental expenses	1,150	619	610
Sales proceeds received from disposal of investment properties (<i>note</i>)	8,153	9,794	–
	8,153	9,794	–

Note: During the years ended 31 December 2016 and 2017, the Group disposed certain investment properties with carrying amount of RMB5,074,000 and RMB8,371,000, respectively, to Hevol Real Estate and its subsidiary, for a cash consideration of RMB8,153,000 and RMB9,794,000, respectively, which is below the then market value of the relevant investment properties.

- (c) **Balances with related parties**

Group

	<i>Notes</i>	As at 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Amounts due from related parties</u>				
Trade receivables				
– companies controlled by Mr. Liu	(i)	37,002	41,692	38,947
Other receivables				
– companies controlled by Mr. Liu	(i), (ii)	7,637	8,287	7,647
		44,639	49,979	46,594
<u>Amounts due to related parties</u>				
Other payables				
– companies controlled by Mr. Liu	(i), (ii)	546	356	5,346
		546	356	5,346

CompanyAs at
31 December
2018RMB'000Amount due to a related party**Other payable**– company controlled by Mr. Liu (*note*)

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Notes:

- (i) All the amounts due as at 31 December 2018 were fully settled subsequent to the year ended 31 December 2018.
- (ii) The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are denominated in RMB.

(d) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonus and allowances	686	822	1,019
Retirement benefit scheme contributions	187	229	303
	873	1,051	1,322

23. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**Reconciliation of liabilities arising from financing activities**

The table below set out the reconciliation of liabilities arising from financing activities for each of the Track Record Period.

	Amounts due to related parties
	<i>RMB'000</i>
At 1 January 2016	537
Cash flows	
– Inflow from financing activities	430
– Outflow from financing activities	(421)
At 31 December 2016 and 1 January 2017	546
Cash flows	
– Inflow from financing activities	516
– Outflow from financing activities	(706)
At 31 December 2017	356

	Amounts due to related parties
	<i>RMB'000</i>
At 1 January 2018	356
Cash flows	
– Inflow from financing activities	4,047
– Outflow from financing activities	(3,831)
Non-cash transaction	
– Deemed distribution arising from the Reorganisation (<i>note</i>)	4,774
	<u>4,774</u>
At 31 December 2018	<u><u>5,346</u></u>

Note: The deemed distribution arising from the Reorganisation of RMB4,774,000 was settled through the amounts due to the shareholders.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

24.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	73,998	80,523	78,640
Bank balances and cash	76,285	113,297	134,417
	<u>150,283</u>	<u>193,820</u>	<u>213,057</u>
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	76,550	75,281	83,327
	<u>76,550</u>	<u>75,281</u>	<u>83,327</u>

24.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its bank deposits and trade and other receivables. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at the reporting dates as disclosed in note 24.1.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

The provision for expected credit loss for trade and other receivables was detailed in note 16.

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. Note 2.8 details how the Group determines whether there has been a significant increase in credit risk.

24.3 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 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 longer term.

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. As at 31 December 2016, 2017 and 2018, the Group's contractual maturities for its financial liabilities are within one year or on demand. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

24.4 Interest rate risk

Other than the interest-bearing bank deposits, the Group has no other significant interest-bearing assets and liabilities. The directors of the Company do not anticipate there is any significant impact to the interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balance are not expected to change significantly.

24.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates mainly in PRC and majority of the transactions are denominated and settled in the functional currency of respective entities within the Group, RMB. As at 31 December 2016, 2017 and 2018, the Group did not have significant foreign currency risk from its operations.

As at 31 December 2016, 2017 and 2018, the Group's bank balance of RMB76,285,000, RMB113,297,000 and RMB134,417,000 respectively denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

24.6 Fair values of financial assets and liabilities

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short maturity of these financial instruments.

25. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of the Company consider cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

26. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2018:

- (i) Pursuant to a shareholders' resolution dated 14 June 2019, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the Prospectus, the Company will capitalise an amount of approximately RMB21,000 (equivalent to US\$2,999), standing to the credit of its share premium account and to appropriate such amount as capital pay up to 299,895,266 shares in full at par.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following information does not form part of the Accountants' Report from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted 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 consolidated net tangible assets of the Group as at 31 December 2018 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 5)</i>
Based on the Offer Price of HK\$1.28 per Share	79,182	80,098	159,280	0.40	0.45
Based on the Offer Price of HK\$1.56 per Share	79,182	103,124	182,306	0.46	0.52

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2018 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2018 of RMB80,106,000 with an adjustment for the intangible assets as at 31 December 2018 of RMB924,000.
- (2) The estimated net proceeds from the Global Offering are based on 100,000,000 Shares at the Offer Price of HK\$1.28 and HK\$1.56 per Share after deduction of the estimated underwriting fees and commissions and other estimated listing-related expenses expected to be incurred by the Group subsequent to 31 December 2018. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 400,000,000 Shares (being the number of ordinary shares expected to be in issue immediately after completion of the Capitalisation Issue and the Global Offering). No account has been taken of any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2018. In particular, the unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company has not taken into account the declaration of a dividend of RMB25,400,000 which was approved by the Board on 14 February 2019. The unaudited pro forma adjusted net tangible assets per share would have been RMB0.33 (equivalent to approximately HK\$0.38) and RMB0.39 (equivalent to approximately HK\$0.45) per Share based on the Offer Price of HK\$1.28 and HK\$1.56 per Share, respectively, if the effect of such dividend had been accounted for.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.88046, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing at the Latest Practicable Date.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



Grant Thornton
致同

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF HEVOL SERVICES GROUP CO. LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hevol Services Group Co. Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2018, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 27 June 2019, in connection with the proposed initial public offering of the Company’s shares (the “**Global Offering**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group’s financial position as at 31 December 2018 as if the Global Offering had taken place at 31 December 2018. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the year ended 31 December 2018, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 31 December 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 accountant's judgement, 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.

Our work has not carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27 June 2019

Lin Ching Yee Daniel

Practising Certificate No: P02771

The following is the text of a letter, summary of values and valuation report prepared for the purpose of incorporation in this prospectus received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values of the property interests held by the Group as at 31 March 2019.

The Directors
Hevol Services Group Co., Limited
Rooms 1505 and 1512, Block 4
Dianshi Business Park
No. 39, Badachu Road
Shijingshan District
Beijing
PRC



Savills Valuation and
Professional Services Limited
1208, Cityplaza One
1111 King's Road, Taikoo Shing
Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

27 June 2019

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to us to value the properties situated in the People's Republic of China (the "PRC") in which Hevol Services Group Co., Limited (the "Company") or its subsidiaries (hereinafter together referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 March 2019 (the "Valuation Date") for incorporation in a public offering document.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors ("HKIS"), which incorporates the International Valuation Standards ("IVS"), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Anthony C.K. Lau who is the Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a corporate member of HKIS with over 26 years’ experience in valuation of properties in Hong Kong and the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the properties, SVPSL had not been involved in valuation of the properties in the last 12 months.

We are independent of the Company and its subsidiaries. We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the properties.

PROPERTY CATEGORISATION AND VALUATION METHODOLOGY

The properties are held by the Group for investment. We have assigned no commercial values to these properties because the properties could not be transferred to the Group as at the Valuation Date.

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the legal opinion issued by the Group’s PRC legal adviser, Han Kun Law Offices, regarding the titles to the properties.

SOURCE OF INFORMATION

We have relied to a considerable extent on information and advice from the Group on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, estimated completion dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We are also advised by the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable have already been fully paid.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. Site inspections of the properties were undertaken by our Mr Arron Lin (who is a China Registered Real Estate Appraiser) and Ms Sherry Ren during the period between 3 August 2018 and 5 August 2018. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation or any other structural defect. No test has been carried out to any of the services.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation report.

Yours faithfully,

For and on behalf of

Savills Valuation and Professional Services Limited

Anthony C.K. Lau

MRICS MHKIS RPS (GP)

Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 26 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Properties held by the Group for investment in the PRC

No.	Property	Market value in existing state as at 31 March 2019	Interest attributable to the Group	Market value attributable to the Group as at 31 March 2019
1.	157 car parking spaces, Xinghuayuan (興華園), Daxing District, Beijing, PRC	No commercial value	100%	No commercial value
2.	296 car parking spaces, Rainbow City (彩虹城), Nos. 66 and 68 Guangcai Road, Fengtai District, Beijing, PRC	No commercial value	100%	No commercial value
3.	Various commercial units, Blocks 7 and 11 of Xishan Fenglin (西山楓林), No. 168 Xiangshan South Road, Shijingshan District, Beijing, PRC	No commercial value	100%	No commercial value
			Total:	Nil

VALUATION REPORT

Properties held by the Group for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019
1.	157 car parking spaces, Xinghuayuan (興華園), Daxing District, Beijing, PRC	<p>Xinghuayuan (the “Development”) is a residential development erected on a parcel of land with a site area of approximately 86,843.00 sq m. The Development was completed in 2007.</p> <p>The Development is situated in Daxing District. Developments in the vicinity comprise mainly residential buildings. It takes about a 45-minute drive from the property to the city centre.</p> <p>The property comprises 157 underground car parking spaces of the Development.</p> <p>The land use rights of the property have been granted for a term expiring on 31 August 2054 for car parking use.</p>	As at the Valuation Date, the property was let on monthly basis.	No commercial value (See Note 6)

Notes:

- Pursuant to four Commodity House Sale and Purchase Contract (“Sale and Purchase Contract”) entered into between Beijing Fufa Property Development Company Limited (北京福發房地產開發有限公司) (“Fufa Property”) and Beijing Hevol Property Services Company Limited (“Beijing Hevol”) on 21 September 2011, Beijing Hevol agreed to purchase 366 car parking spaces (including 42 mechanical car parking spaces) (“Car Park”) with a total gross floor area of approximately 12,854.81 sq m at a total consideration of RMB22,708,970. Beijing Hevol is a wholly-owned subsidiary of the Company.

As advised by the Group, 209 car parking spaces were sold during the period between 2015 and 2017.

- As the ownership of the Car Park could not be transferred from Fufa Property to Beijing Hevol, both parties have entered into a Supplemental Agreement to the Sale and Purchase Contract on 16 October 2015. According to the said Supplemental Agreement, Fufa Property agreed that:
 - the consideration paid under the Sale and Purchase Contract should be refunded to Beijing Hevol in full;
 - Beijing Hevol is entitled to occupy, use and generate income from the Car Park; and
 - if Beijing Hevol decides to sell any Car Park to any owners of Xinghuayuan, Fufa Property shall assist to complete the sale and purchase transaction.

3. Pursuant to the following Building Ownership Certificates, the building ownership of portion of Block Nos. 1, 7, 9 and 48 of the Development with a total gross floor area of approximately is 33,561.75 sq m vested in Fufa Property. Details of the said certificates are as follows:

<u>Certificate No.</u>	<u>Property</u>	<u>Gross Floor Area</u> <i>(sq m)</i>	<u>Usage</u>
(i) X Jing Fang Quan Zheng Xing Zi No. 069053	Car Parking Space Nos. 128 to 264 in Basement Level 1 of Block No. 9	4,895.40	Car parking space
(ii) X Jing Fang Quan Zheng Xing Zi No. 069054	Car Parking Space Nos. 001 to 127 in Basement Level 1 of Block No. 7	5,005.84	Car parking space
(iii) X Jing Fang Quan Zheng Xing Zi No. 069055	Car Parking Space Nos. 127 to 183 in Basement Level 1 of Block No. 1	2,257.60	Car parking space
(iv) X Jing Fang Quan Zheng Xing Zi No. 058454	Block No. 48	21,402.91	Car parking space, mechanical car parking spaces, commercial and residential

As advised by the Group, the property only comprises portion of the gross floor areas as stated in the Building Ownership Certificates mentioned above.

4. On 31 January 2019, Beijing Hevol entered into an Agreement for the Management of the Car Park (車位管理安排協議) (“Car Park Management Agreement”) with Fufa Property to replace the Supplemental Agreement as mentioned in Note 2. Pursuant to the Car Park Management Agreement, the parties agreed, among other things, that:
- (i) each party shall waive any and all liabilities of the other party for any breach resulted from the failure of transferring the legal title of the Car Park to Beijing Hevol under the Sale and Purchase Agreement;
 - (ii) Beijing Hevol shall be entitled to (a) exclusively occupy, use and receive income from the Car Park; and (b) at its sole discretion, decide to dispose of or otherwise deal with the car park;
 - (iii) to ensure the rights granted to Beijing Hevol under sub-paragraph (ii) prior to transferring the title to Beijing Hevol, Fufa Property shall charge the Car Park to Beijing Hevol until such car parks are transferred to third party purchasers or the applicable local rules and regulations are amended so as to make it possible to transfer the legal title to Beijing Hevol; and
 - (iv) if Beijing Hevol decides to sell any Car Park to any third party, Fufa Property shall assist to complete the proposed sale and purchase transaction and Beijing Hevol shall be entitled to receive all the sale price received from third party purchaser.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
- (i) the Sale and Purchase Contract and the Supplemental Agreement are legal and valid;
 - (ii) Beijing Hevol has fully paid the consideration;
 - (iii) Beijing Hevol has not obtained the building ownership of the property because the property could not be transferred from Fufa Property to Beijing Hevol due to local policy reason;

- (iv) as confirmed by the parties to the Sale and Purchase Contract, the possibility for being challenged against Beijing Hevol of the ownership of the property by third party is remote. The rights to occupy, use, generate profits and deal with the property do not violate any PRC laws; and
 - (v) the Car Park Management Agreement is legal, valid and legally binding on all parties involved. According to the Car Park Management Agreement, Beijing Hevol has the rights to sell the Car Park to third party and receive the sales amount from the sales of the Car Park.
6. We have assigned no commercial value to the property because the property could not be transferred to the Group as at the Valuation Date. For the Company's internal management reference purpose, if the property was freely transferable in the market as at the Valuation Date, the market value of the property would be RMB27,000,000.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019
2.	296 car parking spaces, Rainbow City (彩虹城), Nos. 66 and 68 Guangcai Road, Fengtai District, Beijing, PRC	<p>Rainbow City (the “Development”) is a residential development erected on two parcels of land with a total site area of approximately 49,947.09 sq m. The Development was completed in 2004.</p> <p>The Development is situated in Fengtai District. Developments in the vicinity comprise mainly residential buildings. It takes about a 30-minute drive from the property to the city centre.</p> <p>The property comprises 296 underground car parking spaces of the Development.</p> <p>The land use rights of the property have been granted for terms expiring on 18 January 2053 and 15 November 2053 for underground car parking use.</p>	As at the Valuation Date, the property was let on monthly basis.	No commercial value (See Note 6)

Notes:

1. Pursuant to three Commodity House Sale and Purchase Contract (“Sale and Purchase Contract”) entered into between Beijing Hevol Real Estate Company Limited (北京和泓置地有限公司) (“Beijing Hevol Real Estate”) and Beijing Hevol Property Services Company Limited (北京和泓物業服務有限公司) (“Beijing Hevol”) on 1 November 2011, Beijing Hevol agreed to purchase 400 car parking spaces (“Car Park”) with a total gross floor area of approximately 18,505.33 sq m at a total consideration of RMB27,200,000. Beijing Hevol is a wholly-owned subsidiary of the Company.

As advised by the Group, 104 car parking spaces were sold during the period between 2015 and 2017.

2. As the ownership of the Car Park could not be transferred from Beijing Hevol Real Estate to Beijing Hevol, both parties have entered into a Supplemental Agreement to the Sale and Purchase Contract on 16 October 2015. According to the said Supplemental Agreement, Beijing Hevol Real Estate agreed that:
 - (i) the consideration paid under the Sale and Purchase Contract should be refunded to Beijing Hevol in full;
 - (ii) Beijing Hevol is entitled to occupy, use and generate income from the Car Park; and
 - (iii) if Beijing Hevol decides to sell any Car Park to any owners of Rainbow City, Beijing Hevol Real Estate shall assist to complete the sale and purchase transaction.

3. Pursuant to the following Building Ownership Certificates, the building ownership of portion of the Development with a total gross floor area of 36,579.72 sq m is vested in Hevol Real Estate Group Limited (和泓置地集團有限公司) (“Hevol Real Estate”). Details of the said certificates are as follows:

	Certificate No.	Property	Gross Floor	Usage
			Area (sq m)	
(i)	X Jing Fang Quan Zheng Feng Zi 472876	Underground garage of Block No. 6, No. 66 Guangcai Road	7,797.92	Underground garage
(ii)	Jing Fang Quan Zheng Feng Gu Zi 04203	Block No. 1 and underground garage, No. 68 Guangcai Road	22,550.47	–
(iii)	X Jing Fang Quan Zheng Feng Zi No. 366128	Underground garage of Block No. 2, No. 68 Guangcai Road	6,231.33	Underground garage

As advised by the Group, the property only comprises portion of the gross floor areas as stated in the Building Ownership Certificates mentioned above.

4. On 31 January 2019, Beijing Hevol entered into an Agreement for the Management of the Car Park (車位管理安排協議) (“Car Park Management Agreement”) with Beijing Hevol Real Estate to replace the Supplemental Agreement as mentioned in Note 2. Pursuant to the Car Park Management Agreement, the parties agreed, among other things, that:
- each party shall waive any and all liabilities of the other party for any breach resulted from the failure of transferring the legal title of the Car Park to Beijing Hevol under the Sale and Purchase Agreement;
 - Beijing Hevol shall be entitled to (a) exclusively occupy, use and receive income from the Car Park; and (b) at its sole discretion, decide to dispose of or otherwise deal with the car park;
 - to ensure the rights granted to Beijing Hevol under sub-paragraph (ii) prior to transferring the title to Beijing Hevol, Beijing Hevol Real Estate shall charge the Car Park to Beijing Hevol until such car parks are transferred to third party purchasers or the applicable local rules and regulations are amended so as to make it possible to transfer the legal title to Beijing Hevol; and
 - if Beijing Hevol decides to sell any Car Park to any third party, Fufa Property shall assist to complete the proposed sale and purchase transaction and Beijing Hevol shall be entitled to receive all the sale price received from third party purchaser.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
- the Sale and Purchase Contract and the Supplemental Agreement are legal and valid;
 - Beijing Hevol has fully paid the consideration;
 - Beijing Hevol has not obtained the building ownership of the property because the property could not be transferred from Beijing Hevol Real Estate to Beijing Hevol due to local policy reason;
 - as confirmed by the parties to the Sale and Purchase Contract, the possibility for being challenged against Beijing Hevol of the ownership of the property by third party is remote. The rights to occupy, use, generate profits and deal with the property do not violate any PRC laws; and
 - the Car Park Management Agreement is legal, valid and legally binding on all parties involved. According to the Car Park Management Agreement, Beijing Hevol has the rights to sell the Car Park to third party and receive the sales amount from the sales of the Car Park.
6. We have assigned no commercial value to the property because the property could not be transferred to the Group as at the Valuation Date. For the Company’s internal management reference purpose, if the property was freely transferable in the market as at the Valuation Date, the market value of the property would be RMB80,000,000.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019
3.	Various commercial units, Blocks 7 and 11 of Xishan Fenglin (西山楓林), No. 168 Xiangshan South Road, Shijingshan District, Beijing, PRC	<p>Xishan Fenglin (the “Development”) is a residential development erected on a parcel of land with a site area of approximately 837.9 sq m. The Development was completed in 2004.</p> <p>The Development is situated in Shijingshan District. Developments in the vicinity comprise mainly residential buildings. It takes about a 45-minute drive from the property to the city centre.</p> <p>The property comprises 14 commercial units in the basement of the Development with total gross floor area of approximately 3,475.88 sq m.</p> <p>The land use rights of the property have been granted for a term expiring on 17 April 2044 for ancillary use.</p>	As at the Valuation Date, the property was subject to two tenancies due to expire on 30 June 2026 at a total rent of approximately RMB48,351 per month.	No commercial value (See Note 6)

Notes:

1. Pursuant to two Commodity House Sale and Purchase Contract (“Sale and Purchase Contract”) entered into between Beijing Dongheweiye Property Development Company Limited (北京東和偉業房地產開發有限公司) (“Beijing Dongheweiye”) and Beijing Hevol Property Services Company Limited (北京和泓物業服務有限公司) (“Beijing Hevol”) on 20 August 2014, Beijing Dongheweiye agreed to purchase 14 commercial units (“Commercial Units”) with a total gross floor area of approximately 3,475.88 sq m at a total consideration of RMB8,689,700.
2. As the ownership of the Commercial Units could not be transferred from Beijing Dongheweiye to Beijing Hevol, both parties have entered into a Supplemental Agreement to the Sale and Purchase Contract on 16 October 2015. According to the said Supplemental Agreement, Beijing Dongheweiye agreed that:
 - (i) the consideration paid under the Sale and Purchase Contract should be refunded to Beijing Hevol in full;
 - (ii) Beijing Hevol is entitled to occupy, use and generate income from the Commercial Units; and
 - (iii) if Beijing Hevol intends to sell any Commercial Units, Beijing Dongheweiye should assist to complete the sale and purchase transaction.

3. Pursuant to the following Building Ownership Certificates, the building ownership of portion of Block Nos. 7 and 11 of the Development with a total gross floor area of approximately is 62,833.24 sq m vested in Beijing Dongheweiye. Details of the said certificates are as follows:

<u>Certificate No.</u>	<u>Property</u>	<u>Gross Floor Area</u> (sq m)	<u>Usage</u>
(i) Jing Fang Quan Zheng Qi Zi Di No. 405	Block No. 11	42,107.78	Residential and commercial
(ii) Jing Fang Quan Zheng Qi Zi Di No. 406	Block No. 7	20,725.46	Residential and commercial

As advised by the Group, the property only comprises portion of the gross floor areas as stated in the Building Ownership Certificates mentioned above.

4. On 31 January 2019, Beijing Hevol entered into an Agreement for the Management of the Basement (地下室管理安排協議) (“Basement Management Agreement”) with Beijing Dongheweiye to replace the Supplemental Agreement as mentioned in Note 2. Pursuant to the Basement Management Agreement, both parties agreed, among other things, that:
- (i) each party shall waive any and all liabilities of the other party for any breach resulted from the failure of transferring the legal title of the Commercial Units to Beijing Hevol under the Sale and Purchase Agreement;
 - (ii) Beijing Hevol shall be entitled to (a) exclusively occupy, use and receive income from the Commercial Units; and (b) at its sole discretion, decide to dispose of or otherwise deal with the Commercial Units;
 - (iii) to ensure the rights granted to Beijing Hevol under sub-paragraph (ii) prior to transferring the title to Beijing Hevol, Beijing Dongheweiye shall charge the Commercial Units to Beijing Hevol until such units are transferred to third party purchasers or the applicable local rules and regulations are amended so as to make it possible to transfer the legal title to Beijing Hevol; and
 - (iv) if Beijing Hevol decides to sell any Commercial Units to any third party, Beijing Dongheweiye shall assist to complete the proposed sale and purchase transaction and Beijing Hevol shall be entitled to receive all the sale price received from third party purchaser.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
- (i) the Sale and Purchase Contract and the Supplemental Agreement are legal and valid;
 - (ii) Beijing Hevol has fully paid the consideration;
 - (iii) Beijing Hevol has not obtained the building ownership of the property because the property could not be transferred from Beijing Dongheweiye to Beijing Hevol due to local policy reason;
 - (iv) as confirmed by the parties to the Sales and Purchase Contract, the possibility for being challenged against Beijing Hevol of the ownership of the property by third party is remote. The rights to occupy, use, generate profits and deal with the property do not violate any PRC laws; and
 - (v) the Basement Management Agreement is legal, valid and legally binding on all parties involved. According to the Basement Management Agreement, Beijing Hevol has the rights to sell the Commercial Units to third party and receive the sales amount from the sales of the Commercial Units.
6. We have assigned no commercial value to the property because the property could not be transferred to the Group as at the Valuation Date. For the Company’s internal management reference purpose, if the property was freely transferable in the market as at the Valuation Date, the market value of the property would be RMB19,600,000.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and certain aspects of Cayman company law.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 14 June 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 14 June 2019 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 5,000,000,000 shares of US\$0.00001 each.

2.2 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard

to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed)

entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered in the register of members of the Company and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of

any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner, provided that such requisitioner held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may

disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 May 2018 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits, and a dividend can be paid provided there is a profit on the current financial year under review without the requirement to make good losses from a prior financial year. In addition, section 34 of 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court of the Cayman Islands shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a company will 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 of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 section headed "Documents available for inspection" in Appendix VI. 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands on 28 May 2018 under the Companies Law as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix IV to this prospectus.

Our registered place of business in Hong Kong is at Suite 2409, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 January 2019. Mr. Li Lap Keung has been appointed as our authorised representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As at the date of our incorporation, our authorised share capital was US\$50,000 divided into 5,000,000,000 shares of par value of US\$0.00001 each.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

- (a) on 28 May 2018, one subscriber's Share was allotted and issued to a registered office service provider, being an Independent Third Party, and was then transferred to Brilliant Brother on the same date. On the same date, our Company further allotted and issued 63, 28 and 8 Shares of par value US\$0.00001 each to Brilliant Brother, Reformation Group and Sugar Hundred, respectively, all of which were fully paid;
- (b) on 19 July 2018, our Company allotted and issued 664, 208 and 28 fully paid Shares of par value US\$0.00001 to Brilliant Brother, Reformation Group and Sugar Hundred, respectively;
- (c) on 26 December 2018, our Company allotted and issued 4,734 Shares of par value US\$0.00001 to Cherish Eagle as consideration for the transfer of 100% equity interest in RIME Venture to our Company; on the same day, our Company made pro rata allotments to Brilliant Brother, Reformation Group and Sugar Hundred of 72,072, 23,364 and 3,564 Shares, respectively; and
- (d) immediately following the completion of the Capitalisation Issue and the Global Offering, the authorised share capital of our Company will be US\$50,000 divided into 5,000,000,000 Shares of which 400,000,000 Shares will be fully paid or credited as fully paid and 4,600,000,000 Shares will remain unissued.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. The Reorganisation

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For further details on the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

4. Changes in the Share Capital of Our Subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report set out in Appendix I.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there are no changes in the share capital or registered capital of our Company’s subsidiaries during the two years immediately preceding the date of this prospectus.

5. Resolutions of the Shareholders of the Company Passed on 14 June 2019

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on 14 June 2019, it was resolved, among others:

- (a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon Listing;
- (b) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (2) the execution and delivery of the International Underwriting Agreement and the Price Determination Agreement on or about the Price Determination Date; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
 - (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the Capitalisation Issue was approved, and our Directors were authorised to capitalise the amount of US\$2,998.95 and to appropriate such amount as capital to pay up in full at par 299,895,266 Shares for allotment and issue to Brilliant Brother Group Limited and Cherish Eagle Investment Limited. Among which, 286,339,934 Shares will be issued to Brilliant Brother Group Limited at par value each with the total consideration of US\$2,863.40 and 13,555,332 Shares will be issued to Cherish Eagle Investment Limited at par value each with the total consideration of US\$135.55 at the close of business on the business day preceding the Listing Date in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

- (iii) the proposed Listing was approved and our Directors were authorised to implement such Listing; and
 - (iv) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion but subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

(e) the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up 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.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

We may not make any repurchase of securities at any time after inside information has come to our knowledge until such time that the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for publication of an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, we may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if we have breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing its shares from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling its shares to the company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law or other applicable laws of the Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

Exercise in full of the current repurchase mandate, on the basis of 400,000,000 Shares in issue after completion of the Capitalisation Issue and the Global Offering (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), could accordingly result in up to 40,000,000 Shares being repurchased by us during the period prior to:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

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) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Law or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the transfer agreement (轉讓協議) dated 8 August 2018 between Hevol Investment and Hevol Abundance in relation to the transfer of the share capital of RMB16,500,000 in Beijing Hongsheng from Hevol Investment to Hevol Abundance;
- (b) the transfer agreement (轉讓協議) dated 8 August 2018 between Hevol Real Estate and Hevol Abundance in relation to the transfer of the share capital of RMB13,500,000 in Beijing Hongsheng from Hevol Real Estate to Hevol Abundance;
- (c) the equity interest transfer agreement (股權轉讓協議) dated 22 August 2018 between Hevol Real Estate and RIME Venture (HK) in relation to the transfer of 2.03% of the equity interest in Hevol Abundance at a consideration of RMB1,184,850 from Hevol Real Estate to RIME Venture (HK);
- (d) the equity interest transfer agreement (股權轉讓協議) dated 22 August 2018 between Hevol Investment and RIME Venture (HK) in relation to the transfer of 2.49% of the equity interest in Hevol Abundance at a consideration of RMB1,448,160 from Hevol Investment to RIME Venture (HK);
- (e) the equity interest transfer agreement (股權轉讓協議) dated 19 October 2018 between Hevol Real Estate and Guizhou WFOE in relation to the transfer of 42.97% equity interest in Hevol Abundance from Hevol Real Estate to Guizhou WFOE at a consideration of RMB2,148,500;
- (f) the equity interest transfer agreement (股權轉讓協議) dated 19 October 2018 between Hevol Investment and Guizhou WFOE in relation to the transfer of 52.51% equity interest in Hevol Abundance from Hevol Investment to Guizhou WFOE at a consideration of RMB2,625,500;
- (g) the trademark transfer and authorisation and licence agreement (商標轉讓及授權許可協議) dated 30 November 2018 between Hevol Investment and Beijing Hongsheng in relation to the transfer of and the grant of licence on certain trademarks of Hevol Investment to Beijing Hongsheng at nil consideration;
- (h) the instrument of transfer dated 26 December 2018 between our Company and Cherish Eagle in respect of the transfer of one ordinary share of RIME Venture from Cherish Eagle to our Company in consideration of full payment of the purchase price paid to Cherish Eagle by our Company;
- (i) the Deed of Indemnity;
- (j) the Deed of Non-competition; and
- (k) the Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
1.		Hong Kong	Our Company	304738276	35, 36, 37, 38, 39, 42	16 November 2018

On 29 January 2019, we received notice of publication from the Hong Kong Intellectual Property Department that the trademark will be published for a period of 3 months. Given that (i) the publication period was passed on 1 May 2019 and no objection was received, (ii) we have already submitted all the necessary application materials in accordance with requirements of the Hong Kong Intellectual Property Department, after consulting with our legal advisers as to Hong Kong law, the Directors are of the view that we would not be subject to any material legal impediment in obtaining the relevant trademark registration certificate.

As at the Latest Practicable Date, pursuant to the trademark transfer and licence agreement dated 30 November 2018, Hevol Investment has transferred the following trademark to Beijing Hongsheng and Beijing Hongsheng has applied for the registration of itself as the new registered owner of the following trademark, pending the completion of such registration, Hevol investment granted Beijing Hongsheng an exclusive licence for the use of the trademark on a royalty free basis.

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
1.		PRC	Hevol Investment	17717055	36	6 October 2026
2.		PRC	Hevol Investment	17716872	37	6 October 2026
3.		PRC	Hevol Investment	17716803	38	6 October 2026
4.		PRC	Hevol Investment	17716707	39	6 October 2026

(b) Domain Names

As at the Latest Practicable Date, our material domain names were as follows:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry date</u>
1.	hevolwy.com.cn	Beijing Hevol	5 September 2012	5 September 2019

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of the Directors and chief executive of the Company immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Long position in our Shares

<u>Name of Director/ Chief executive</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
		<i>(Note 1)</i>	
Mr. Liu	Interest of controlled corporation <i>(Note 2)</i>	286,439,934	71.61%

Notes:

(1) All interests stated are long positions and after adjustment pursuant to the Capitalisation Issue.

- (2) The Shares are registered in the name of Brilliant Brother. The entire issued share capital of Brilliant Brother is held by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Brilliant Brother under the SFO.

Long position in shares of the associated corporations of our Company

<u>Name of Director/ Chief executive</u>	<u>Name of associated corporation</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
		<i>(Note 1)</i>	
Mr. Liu	Brilliant Brother <i>(Note 2)</i>	1	100%

Notes:

- (1) All interests stated are long positions and after adjustment pursuant to the Capitalisation Issue.
- (2) Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of our Company and thus an associated corporation of our Company under the SFO.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders of other members of our Group

Save as set out above, as at the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Capitalisation Issue and the Global Offering, be interested, directly or indirectly, in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

2. Particulars of Directors' Service Contracts and Letters of Appointment

Executive Directors

Each of our executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Non-executive Directors and Independent Non-executive Directors

Each of our non-executive Directors and independent non-executive directors has signed an appointment letter with our Company for a term of term of three years commencing from the Listing Date. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Under their respective appointment letters, the non-executive Directors are not entitled to any director's fee while each of the independent non-executive Directors is entitled to an annual director's fee as follows:

<u>Name</u>	<u>Annual director's fee</u> (RMB)
Mr. Qian Hongji	180,000
Mr. Fan Chi Chiu	180,000
Dr. Chen Lei	180,000
Dr. Li Yongrui	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 aforementioned, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate amount of remuneration which was paid to our Directors for the years ended 31 December 2016, 2017 and 2018 were approximately RMB722,000, RMB720,000, and RMB821,000, respectively.

It is estimated that remuneration and benefits in kind (excluding any discretionary bonuses) equivalent to approximately RMB2.2 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending 31 December 2019 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individual (including both employees and Directors) for the years ended 31 December 2016, 2017 and 2018 were approximately RMB1.5 million, RMB1.6 million, and RMB1.9 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for each of the years ended 31 December 2016, 2017 and 2018 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 December 2016, 2017 and 2018.

4. Disclaimers

Save as disclosed in the paragraph headed “– Future Information About Directors and Substantial Shareholders – Disclosure of interests” in this appendix, as well as the section headed “Business” and the section headed “Directors and Senior Management – Directors – Director’s Interests” in this prospectus:

- (a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

- (b) none of our Directors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (c) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of the Company have any interests in the five largest customers or the five largest suppliers of the Group;
- (d) each of our executive and non-executive Directors have confirmed that as at the Latest Practicable Date, none of them or any of their respective close associates (as defined in the Listing Rules) had interests in any business other than our business, which compete, or is likely to compete, either directly or indirectly with our business that would require disclosure under Rule 8.10 of the Listing Rules.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 14 June 2019.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.0 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the

certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) increase this limit at any time to 10% of our Shares in issue at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting by way of a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable or transferable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a general offer by way of scheme of compromise or arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the grantee (or his or her personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse), by notice in writing to the Company, exercise the option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice.

Other than a general offer or a scheme of compromise or arrangement contemplated above, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his or her options (to the extent that it has become exercisable and has not already been exercised), but the exercise of an option shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under this Scheme. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as it would have been the case had such Shares been subject to such compromise or arrangement.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- a. the date of expiry of the option as may be determined by the Board;
 - (i) the expiry of any of the periods referred to in paragraphs (1), (m), (n), (o) or (p);
 - (ii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
 - (iii) subject to paragraph (o), the date of commencement of the winding-up of our Company;
 - (iv) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
 - (v) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme and the subsequent granting of options under the Share Option Scheme and for the listing of and permission to deal in the Shares which may fall to be allotted and issued pursuant to the exercise of the options under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

Except as disclosed in the section headed “Business – Legal Proceedings” in this prospectus, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group’s results of operations or financial condition, taken as a whole.

2. Preliminary expenses

Our Company’s preliminary expenses incurred by us in relation to the incorporation of our Company are approximately HK\$25,000 and have been paid by our Company.

3. Estate duty

Our Directors confirmed that no material liability for estate duty is likely to fall on any member of our Group.

4. Tax and other indemnities

Each of the Controlling Shareholders (collectively the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity referred to item (i) of the paragraph headed “Summary of material contracts” of this Appendix, given in joint and several indemnities to our Company for itself and as trustee for the subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Law of Hong Kong) or any similar laws and regulations of any relevant jurisdiction by reason of the death of any person and by reason of any transfer of any property to any member of our Group at any time on or before the Listing Date;
- (b) any taxation falling on any member of our Group in respect of or by reference to any income, profits, or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the Listing Date, or any transaction, act, omission or event occurring or deemed to occur on or before the Listing Date; and
- (c) any claims, actions, demands, proceeds, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines incurred or suffered by our Group arising from any claims brought by any regulatory authorities or any other third party in connection with, directly or indirectly, or by reason of any act, non-performance, omission or otherwise of the Company or our Group or their respective directors on or before the Listing Date, including but not limited to all incidents of non-compliance, violation or breach as disclosed in the paragraph headed “Business – Historical Non-Compliance Incidents” in this prospectus.

The Indemnifiers will, however, not be liable under the Deed of Indemnity where, among others, (a) provision has been made for such taxation in the audited consolidated accounts of the Company and its subsidiaries as set out in the accountants’ report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group during the Track Record Period; (b) such taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the Listing Date; and (c) such taxation arises in the ordinary course of business of our Group after 31 December 2018 up and including the Listing Date.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

7. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 December 2018 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this prospectus.

8. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting – Commissions and Expenses.”

9. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

<u>Name</u>	<u>Qualifications</u>
Southwest Securities (HK) Capital Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Grant Thornton Hong Kong Limited	Certified public accountants
Han Kun Law Offices	PRC Legal Advisers
Maples and Calder (Hong Kong) LLP	Cayman Islands legal adviser
Savills Valuation and Professional Services Limited	Property valuer
China Index Academy	Industry consultant

10. Consents

Each of the experts as referred to in the paragraph headed “9. Qualification of Experts” in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

11. Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor’s fee payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing is HK\$7.8 million.

12. 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Taxation of Holders of Our Shares**(a) Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong Share Registrar of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are 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 value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

14. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) none of our Directors or experts referred to in the section headed “– E. Other Information – 9. Qualifications of Experts” of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (ii) none of the Directors or experts referred to in the section headed “– E. Other Information – 9. Qualifications of Experts” of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iii) save for the Underwriting Agreements, none of the experts referred to under the section headed “– E. Other Information – 9. Qualifications of Experts” of this appendix has any shareholding in any member of the 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;
- (iv) within the two years preceding the date of this prospectus, no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (v) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (vi) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

- (vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (viii) our Company has no outstanding convertible debt securities or debentures;
- (ix) no capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (x) there is no arrangement under which future dividends are waived or agreed to be waived;
- (xi) 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; and
- (xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

15. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed “Appendix V – Statutory and General Information – B. Further Information about the Business of our Company – 1. Summary of Material Contracts”; and (iii) the written consents issued by each of the experts and referred to in section headed “Appendix V – Statutory and General Information – E. Other Information – 9. Qualifications of Experts”.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Miao & Co. (in Association with Han Kun Law Offices) at Rooms 3901-05, 39/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the accountants’ report of our Group for the years ended 31 December 2016, 2017 and 2018 prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report received from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2018;
- (e) the property valuation report relating to our Group’s property interest prepared by Savills Valuation and Professional Services Limited, the text of which set out in Appendix III to this prospectus;
- (f) the PRC legal opinions issued by Han Kun Law Offices, our legal advisers on PRC law, in respect of our general matters and property interests;
- (g) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisers on Cayman Islands laws, summarising certain aspects of Companies Law set out in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the material contracts referred to in the section headed “Appendix V – Statutory and General Information – B. Further Information about the Business of our Company – 1. Summary of Material Contracts” of this prospectus;

- (j) the service agreements and letters of appointment referred to in “Appendix V – Statutory and General Information – C. Further Information about Directors and Substantial Shareholders – 2. Particulars of Directors’ Service Contracts and Letters of Appointment” of this prospectus;
- (k) the written consents referred to in the section headed “Appendix V – Statutory and General Information – E. Other Information – 10. Consents” of this prospectus;
- (l) the industry report prepared by the China Index Academy; and
- (m) the rules of the Share Option Scheme.

