信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3603

GLOBAL OFFERING

Sole Sponsor

RaffAello CAPITAL LIMITED

Joint Global Coordinators

中國通海證券有限公司 CHINA TONGHAI SECURITIES LIMITED

RaffAello Securities (HK) Ltd

Joint Bookrunners

中國通海證券有限公司 CHINA TONGHAI SECURITIES LIMITED

RaffAello Securities (HK) Ltd

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

Joint Lead Managers

中國通海證券有限公司 CHINA TONGHAI SECURITIES LIMITED

RaffAello Securities (HK) Ltd

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

SORRENTO SECURITIES LIMITED 擎天證券有限公司

一盈證券有限公司 I WIN SECURITIES LTD.

富強證券 FORTUNE (HK) SECURITIES

利得證券

IMPORTANT

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

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**375,000,000 Shares comprising 300,000,000 new Shares and 75,000,000 Sale Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**37,500,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**337,500,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$1.10 per Offer Share and expected to be not less than HK$0.90 per Offer Share plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**3603**

Sole Sponsor

RaffAello CAPITAL LIMITED

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

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), but in any event no later than Wednesday, 6 November 2019. The Offer Price will be not more than HK$1.10 per Share and is currently expected to be not less than HK$0.90 per Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.10 per Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$1.10. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to procure subscribers for or themselves to subscribe for the Hong Kong Offer Shares are subject to the termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) upon the occurrence of any of the events set out under the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) terminate the Hong Kong Underwriting Agreement, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act.

25 October 2019

If there is any change in the following expected timetable, our Company will issue an announcement on the respective websites of our Company at ***www.xjsx.net.cn*** and the Stock Exchange at ***www.hkexnews.hk***.

	Date and time[1]
Latest time to complete electronic applications under **HK eIPO White Form** services through the designated website **www.hkeipo.hk**[4]	11: 30 a.m. on Wednesday, 30 October 2019
Application lists of the Hong Kong Public Offering open [2]	11: 45 a.m. on Wednesday, 30 October 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12: 00 noon on Wednesday, 30 October 2019
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12: 00 noon on Wednesday, 30 October 2019
Application lists of the Hong Kong Public Offering close[2]	12: 00 noon on Wednesday, 30 October 2019
Expected Price Determination Date[5]	on or about Wednesday, 30 October 2019
Announcement of the final Offer Price, the levels of indication of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on our Company's website at **www.xjsx.net.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Thursday, 7 November 2019
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) will be available through a variety of channels in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus) on	Thursday, 7 November 2019
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/ business Registration Number" function from	Thursday, 7 November 2019

	Date and time[1]
Despatch/Collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering[7]	Thursday, 7 November 2019
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications[7]	Thursday, 7 November 2019
Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering[6 and 7]	Thursday, 7 November 2019
Dealings in Shares on the Stock Exchange expected to commence	9:00 a.m. on Friday, 8 November 2019

Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Share Offer including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering".

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 October 2019, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists".

3. Applicants who apply 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".

4. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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.

5. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Wednesday, 30 October 2019 or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and, in any event, no later than Wednesday, 6 November 2019. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK$1.10 per Offer Share, applicants who apply for the Offer Shares must pay on application the maximum indicative Offer Price of HK$1.10 per Offer Share plus

brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed "How to Apply for the Hong Kong Offer Shares — 13. Refund of application monies".

6. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (**www.hkeipo.hk**) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first- named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card.

7. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 7 November 2019. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

   Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more Hong Kong Offer Shares under the Public Offering and have provided all information required by Application Forms, they may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

   Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to Apply for the Hong Kong Offer Shares — 14. Despatch/collection of share certificates and refund monies".

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) 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 section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

This prospectus is issued by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a Global Offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Underwriters 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 nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates or any other persons or parties involved in the Global Offering.

The contents of our Company's website at ***www.xjsx.net.cn*** *do not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. These 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" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

We are the largest operator of shopping malls for hospitality supplies in terms of operating areas as well as the rental revenue of hospitality supplies in China. As of 30 April 2019, we had three shopping malls for hospitality supplies and two shopping malls for home supplies located in Guangzhou and Shenyang in China, which together had a total GFA of approximately 363,079.82 sq.m., a total LFA of approximately 270,044.31 sq.m., a total leased LFA of approximately 230,068.03 sq.m. and an average occupancy rate of 85.2%[Note].

In October 2018, we entered into a cooperation agreement with an Independent Third Party pursuant to which we agreed to provide shopping mall operation services to other shopping mall owners for brand licencing fee and operation management fee. As at the Latest Practicable Date, it was expected that our first managed hospitality supplies shopping mall would commence operation in late 2019.

Set out below is a map of the locations of our shopping malls in China:

In order to complement the operation of our physical shopping malls and expand our O2O business operation model, in April 2018, we started to operate the Online Shopping Mall through the acquisition of Guangzhou Xinji Dajing, which has commenced its operation of the e-commerce business since September 2017.

To utilize our network and resources in the hospitality supplies industry, we also provide exhibition management services for the annual HOSFAIR in China.

Note: Calculated as the percentage of total leased LFA over total LFA of our five shopping malls.

The following table sets out a breakdown of the rental income by our shopping malls during the Track Record Period:

	Rental income			
		Year ended		Four months ended
Shopping malls	**31 December 2016**	**31 December 2017**	**31 December 2018**	**30 April 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	100,942	91,544	135,559	45,395
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	39,677	53,079	55,662	19,094
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	8,706	8,067	12,494	4,010
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	10,826	10,607	11,475	3,952
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	18,398	19,998	28,759	8,178
Total	178,549	183,295	243,949	80,629

We did not receive variable rents from tenants during the Track Record Period.

The following table sets out our revenue and the gross profit margin by business segments during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Rental income:										
— Properties lease income	178,549	95.1	183,295	95.2	243,949	97.3	74,744	96.9	80,629	97.6
Revenue from contract with customers:										
— Sales of goods	—	—	—	—	7,858	33.2	—	—	3,430	27.8
— Exhibition management service	6,235	40.0	5,509	25.3	5,697	25.6	—	—	—	—
— Properties management service	23,942	63.2	21,064	53.0	23,851	52.7	6,203	46.4	8,134	60.3
	30,177		26,573		37,406		6,203		11,564	
Total	208,726	89.8	209,868	89.2	281,355	90.2	80,947	93.1	92,193	91.7

For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our revenue was approximately RMB208.7 million, RMB209.9 million, RMB281.4 million and RMB92.2 million, respectively. The property management service fee decreased from RMB23.9 million for the year ended 31 December 2016 to RMB21.1 million for the year ended 31 December 2017 was due to the decrease of average management fee in Xinji Hotelex Hospitality Supplies Center from RMB30/sq.m. to RMB10/sq.m. pursuant to the lease agreements which the customers entered into around September 2016. Such adjustment was made in order to align with the respective average management fee of RMB10/sq.m. charged by Xinji Shaxi Hospitality Supplies Expo Center during the same period having considered the opinions of tenants with respect to the latter which has a larger scale of operation and supreme location but lower charged management fee. We are of the view that such adjustment for Xinji Hotelex Hospitality Supplies Center was reasonable.

Occupancy rate of our shopping malls

The following table sets out the occupancy rate of our shopping malls during the Track Record Period:

	Occupancy rate ***(%)***			
Shopping malls	**As of 31 December 2016**	**As of 31 December 2017**	**As of 31 December 2018**	**As of 30 April 2019**
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	98.3	98.9	83.4	95.9
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	85.1	87.7	100.0	100.0
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	50.0	46.4	50.0	50.5
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	96.1	93.6	100.0	100.0
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	62.7	80.7	76.6	79.1

For further details, please refer to the section headed "Business — Our Business Operations — Our shopping malls — Occupancy rate" of this prospectus.

OUR SUPPLIERS AND CUSTOMERS

Our major suppliers are construction contractors for our shopping malls located in Shenyang and advertising companies. Our business relationships with our top five suppliers during the Track Record Period commenced from 2013 to 2018. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the aggregate purchases from our top five suppliers accounted for approximately 51.9%, 74.0%, 46.9% and 87.8%, respectively, of our total purchases whilst the purchases from our largest supplier accounted for approximately 38.9%, 55.6%, 11.1% and 31.8%, respectively, of our total purchases for the corresponding year.

The principal customers are tenants of our shopping malls and companies engaged in wholesale activities. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our five largest customers accounted for 4.8%, 5.1%, 5.1% and 6.2%, of our revenue, respectively, and our single largest customer accounted for 1.6%, 1.5%, 2.0% and 2.6%, of our revenue during the same periods, respectively. The business relationship of our five largest customers with us during the Track Record Period commenced from 2009 to 2017.

OUR MARKET POSITION WITHIN THE INDUSTRY

According to the Frost & Sullivan Report, the hospitality supplies industry in China is highly competitive and fragmented with over 17,000 hospitality supplies manufacturers in China. According to the China Hotel Supplies Association (the "**CHSA**"), the production value of hospitality supplies in China amounted to approximately RMB1,818.2 billion in 2018, representing a CAGR of 6.9% during the period from 2013 to 2018. The total retail sales of China's home supplies market recorded approximately RMB4,968.3 billion in 2018, representing a CAGR of 10.5% during the period from 2013 to 2018. It is expected that the hospitality and home supplies industry in China will follow the steady growth of China's macro economy and tourism industry and increase with a CAGR of 6.4% and 8.2%, respectively from 2018 to 2023.

According to the Frost & Sullivan Report, our Group is the largest operator of shopping malls for hospitality supplies in terms of operating areas and rental revenue of hospitality supplies in China in 2018. For details, please refer to the section headed "Industry Overview" in this prospectus. Our Directors believe that our Group is well-positioned to capture more business opportunities for the hospitality and home supplies industry in China.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the section headed "Business — Our Competitive Strengths" in this prospectus, contribute to our success and differentiate us from our competitors: (i) our major shopping malls are located in the Guangdong Province, the most vital region in the production and distribution of hospitality supplies in China; (ii) our well established reputation and proven track record in the hospitality and home supplies industry in China; (iii) our experienced and professional management team; and (iv) our core relationship with the CHSA.

OUR STRATEGIES

Our principal business objective is to further strengthen our position as an established operator of shopping malls for hospitality and home supplies in China and to create long-term Shareholder's value. We intend to achieve our business objective by the following business strategies, details of which are set out in the section headed "Business — Our Strategies" in this prospectus: (i) improving our brand awareness to increase footfall and support tenant sales growth with our relationship with the CHSA; (ii) expanding our business by offering shopping mall management services; (iii) expanding our O2O platform to provide customers with an omni-channel retailing experience; and (iv) continuing to focus our business operation in the Guangdong Province while actively pursuing suitable expansion and diversifying our business network and presence in other key cities in China.

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering and our Offer Shares. Potential investors are advised to read the section headed "Risk Factors" in this prospectus carefully before making any investment decision in the Global Offering. Some of our major risks include:

- our business depends significantly on the market recognition of our brand, "信基沙溪 (Xinji Shaxi)" and any damage to our brand or failure to effectively promote our brand could materially and adversely impact our business and results of operations;
- we may fail to renew our existing leases for which our shopping malls are located;
- our results of operations are dependent on our tenants' business performance;
- we may face uncertainty arising from the urban planning policy by the PRC local authorities from time to time;
- our performance depends on the global macro-economy; and
- we operate in a relatively intense and competitive environment.

OUR SHAREHOLDERS

Immediately following completion of the Capitalisation and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), Honchuen Investment, Zuoting Investment and Weixin Development will control approximately 26.1%, 17.1% and 9.0% of the issued share capital of our Company, respectively. Hence, they will in aggregate control 52.2% of the issued share capital of our Company. As at the Latest Practicable Date, Honchuen Investment was wholly-owned by Mr. Cheung, Zuoting Investment was wholly-owned by Mr. Mei, and Weixin Development was wholly-owned by Mr. Zhang. For the purpose of the Listing Rules, each of Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are the Selling Shareholders and a group of Controlling Shareholders pursuant to the completion of the Capitalisation and the Global Offering. Please refer to the section headed "Relationship with our Controlling Shareholders" in the prospectus for further details.

PRE-IPO INVESTMENT

On 30 January 2019, our Company, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development entered into the Pre-IPO Investment Agreement with Zhanpeng Investment, a company incorporated under the laws of the BVI with limited liability on 9 November 2018. Zhanpeng Investment is wholly-owned by Mr. Lin, the shareholder, executive director and legal representative of Shanghai Shenglong Investment Co., Ltd.* (上海升龍投資集團有限公司), which principally engaged in real estate development in the PRC. Pursuant to the Pre-IPO Investment Agreement, (i) Zhanpeng Investment conditionally agreed to subscribe for 2,632 Shares allotted and issued by our Company at the consideration of HK$65 million; and (ii) Zhanpeng Investment acquired 1,329 Shares, 845 Shares and 458 Shares from Honchuen Investment, Zuoting Investment and Weixin Development, at the consideration of approximately HK$32.8 million, HK$20.9 million and HK$11.3 million, respectively.

Upon completion of the Capitalisation and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), the enlarged issued share capital of our Company will be owned as to approximately 26.1% by Honchuen Investment, 17.1% by Zuoting Investment, 9.0% by Weixin Development, 8.0% by Zhanpeng Investment, 6.2% by Huiqun Investment, 4.9% by Real Smart Investment and 3.7% by Fupin Investment, respectively. For further details, please refer to the section headed "History, Corporate Structure and Reorganisation — Pre-IPO Investment" in this prospectus.

SUMMARY FINANCIAL INFORMATION

The tables below present the summary financial information of our Group for the Track Record Period, which are derived from, and should be read in conjunction with our financial information, including the notes thereto, set out in the accountant's report in Appendix I to this prospectus.

Selected Consolidated Income Statements

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	208,726	209,868	281,355	80,947	92,193
Cost of sales	(21,298)	(22,750)	(27,463)	(5,607)	(7,648)
Gross profit	187,428	187,118	253,892	75,340	84,545
Fair value gains on investment properties	49,168	50,840	126,247	121,372	2,144
Selling and marketing expenses	(57,422)	(35,299)	(23,570)	(7,881)	(12,094)
Administrative expenses	(24,963)	(30,888)	(39,804)	(13,764)	(13,438)
Net (impairment losses)/reversal of impairment losses on financial assets and operating lease receivables	(4,270)	(2,190)	(275)	1,135	(117)
Other income	3,705	3,887	69,324	664	1,709
Other (losses)/gain — net	(1,124)	(113)	90	—	(104)
Operating profit	152,522	173,355	385,904	176,866	62,645
Income tax expenses	(39,326)	(48,613)	(98,133)	(46,463)	(17,221)
Profit before income tax	114,773	137,397	348,359	167,937	44,526
Profit for the year/period	75,447	88,784	250,226	121,474	27,305
Core net profit (attributable to owners of the Company)[(1)]	23,001	11,751	64,100	11,777	31,940

Note 1: This is a non-HKFRS measure. Please refer to the section headed "Financial Information — Results of Operations" in this prospectus and the paragraph headed "NON-HKFRS MEASURES — CORE NET PROFIT" below in this section.

Our revenue for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 were RMB208.7 million, RMB209.9 million, RMB281.4 million and RMB92.2 million, respectively, representing a CAGR of 16.1% from 2016 to 2018. Our fair value gains on investment properties increased from RMB50.8 million for the year ended 31 December 2017 to RMB126.2 million for the year ended 31 December 2018, which was mainly due to the increase in LFA and market rents of Xinji Shaxi Hospitality Supplies Expo Center for the year ended 31 December 2018.

We generate our revenues primarily from leasing our shopping malls to our tenants. For the three years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, our rental income was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5% of our total income.

Our fair value gains on investment properties increased from RMB50.8 million for the year ended 31 December 2017 to RMB126.2 million for the year ended 31 December 2018, which was mainly due to the increase in LFA and market rents of Xinji Shaxi Hospitality Supplies Expo Center during the year.

Our other income increased from RMB3.9 million for the year ended 31 December 2017 to RMB69.3 million for the year ended 31 December 2018, which was mainly due to the one-off compensation for demolition because the government of Guangzhou Panyu District entered into an agreement with Guangzhou Shaxi Hotel for the compensation of the removal of part of the investment properties in order to develop the Guangzhou Shaxi metro station in July 2018.

Our income tax expenses increased from RMB48.6 million for the year ended 31 December 2017 to RMB98.1 million for the year ended 31 December 2018. The increase was mainly due to the increase in profit before taxation.

Our profit for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 were RMB75.4 million, RMB88.8 million, RMB250.2 million and RMB27.3 million, respectively, representing a CAGR of 82.1% from 2016 to 2018. Our core net profit for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 were RMB23.0 million, RMB11.8 million, RMB64.1 million and RMB31.9 million, respectively, representing a CAGR of 66.9% from 2016 to 2018.

Our fair value gains on investment properties (net of tax) lead to an increase in net profit of our Group by RMB36.9 million, RMB38.1 million, RMB94.7 million and RMB1.6 million, respectively for the three years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, or by 95.6%, 75.3%, 60.9% and 6.3% respectively. Such fair value gains on investment properties contributed to the majority of our Group's net profit over the Track Record Period and as a result, changes in such fair value gains culminated in our fluctuating financial performance across the Track Record Period.

NON-HKFRS MEASURES — CORE NET PROFIT

The core net profit, which is a non-HKFRS measure is presented as our management believe such information will be useful for investors in evaluating the performance results of our underlying business across accounting periods by eliminating the effects of certain one-off or non-recurring items including the fair value gains on investment properties, compensation for demolition and interest income from loans to a related party, which are considered not indicative for evaluation of the actual performance of our business. The table below reconciles our core net profit and profit for the year:

	For the year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	75,447	88,784	250,226	121,474	27,305
Less: Fair value gains on investment properties	(49,168)	(50,840)	(126,247)	(121,372)	(2,144)
Less: Compensation for demolition	—	—	(65,545)	—	—
Less: Interest income from loans to a related party	—	(27,969)	(40,164)	(16,402)	—
Add: Listing expenses	—	—	14,707	4,138	7,166
Add: Income tax expenses in relation to above reconciled items	12,292	19,702	54,312	33,409	(1,256)
Core net profit for the year/ period[(1)]	38,571	29,677	87,289	21,247	31,071
— attribute to owners of the Company[(1)]	23,001	11,751	64,100	11,777	31,940
— attribute to non-controlling interest[(1)]	15,570	17,926	23,189	9,470	(869)

Note 1: This is a non-HKFRS measure. Please refer to the section headed "Financial Information — Results of Operations" in this prospectus.

Our core net profit does not take into account any non-controlling interest. We define core net profit as our profit attributables to the owners of the Company, excluding gains from increases in the fair value of investment properties, gains from the compensation of the removal of part of the investment properties by Guangzhou Shaxi Hotel, interest income from loans to a related party and adding back the listing expenses and further adjusted for income tax effects for the aforementioned items. Core net profit eliminates the effect of non-cash gains from increases in the fair value of investment properties and the effect of other non-recurring or non-core items.

We recorded significant fluctuations in our core net profit during the Track Record Period. Our core net profit decreased by RMB11.2 million from RMB23.0 million for the year ended 31 December 2016 to RMB11.8 million for the year ended 31 December 2017 as a result of the increase in total borrowing (and therefore interest expenses incurred) by the Guangzhou Shaxi Hotel and Shenyang Xinji Industrial.

Our core net profit increased by RMB52.3 million from RMB11.8 million for the year ended 31 December 2017 to RMB64.1 million for the year ended 31 December 2018, this was mainly attributable to the increase in rental income, in particular, that driven by Xinji Shaxi Hospitality Supplies Expo Center, coupled with the decrease of marketing and advertising costs and the increase of 49% equity interest in Guangzhou Wanhua Hotel attributable to the Group pursuant to the Reorganisation.

Our core net profit increased by RMB20.1 million from RMB11.8 million for the four months ended 30 April 2018 to RMB31.9 million for the four months ended 30 April 2019, due to (i) the increase of 49% equity interest in Guangzhou Wanhua Hotel and the increase of 30% equity interest in Guangzhou Shaxi Hotel attributable to the Group, pursuant to the Reorganisation; and (ii) the decrease in total borrowing (and therefore interest expenses incurred) by the Guangzhou Shaxi Hotel.

Selected Consolidated Balance Sheets

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,764,982	2,901,649	2,897,686	2,940,879
Current assets	377,367	615,451	173,951	132,873
Total assets	3,142,349	3,517,100	3,071,637	3,073,752
Non-current liabilities	558,343	1,391,503	1,154,327	1,153,156
Current liabilities	1,066,074	608,155	441,485	361,706
Net Current (liabilities)/assets	(688,707)	7,296	(267,534)	(228,833)
Total liabilities	1,624,417	1,999,658	1,595,812	1,514,862
Total equity	1,517,932	1,517,442	1,475,825	1,558,890

We recorded net current liabilities of RMB688.7 million, RMB267.5 million and RMB228.8 million as of 31 December 2016 and 2018 and 30 April 2019, respectively, and net current assets of RMB7.3 million as of 31 December 2017. The change from a position of net current assets as of 31 December 2017 to a position of net current liabilities as of 31 December 2018 was mainly due to the decrease in amounts due from related parties and the increase in amounts due to related parties, partially offset by the decrease in borrowings and trade and other payables.

We recorded a total equity of RMB1,517.9 million, RMB1,517.4 million and RMB1,475.8 million as of 31 December 2016, 2017 and 2018, respectively. The decrease in total equity as of 31 December 2018 as compared to that of 31 December 2017 was primarily attributable to the deemed distribution to (i) the ultimate controlling shareholders for acquiring the equity interests of the Group's subsidiaries pursuant to the Reorganisation; and (ii) the then shareholders as the Group derecognized certain net assets in Panyu Real Estates due to Guangzhou Panyu Xinji's cessation to engage in Panyu Real Estates' operation and management of home furnishing shopping mall on 1 December 2018. For further details, please refer to note 24 of the Accountant's Report in Appendix I to this prospectus.

The table below sets forth the details of our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current Assets				
Inventories	—	—	1,514	1,822
Properties under development for sale	165,102	—	—	—
Operating lease and trade receivables and other receivables	50,846	56,526	66,164	53,020
Amounts due from related parties	17,464	536,288	94,990	9,169
Restricted cash	82,000	—	—	—
Cash and cash equivalents	61,955	22,637	11,283	68,862
	377,367	615,451	173,951	132,873
Current Liabilities				
Borrowings	500,857	159,389	92,659	92,909
Trade and other payables	272,584	296,571	135,752	119,765
Lease liabilities	13,846	13,395	19,285	15,403
Amounts due to related parties	125,874	1,786	56,379	5,026
Advance from customers	147,544	121,743	103,304	84,018
Contract liabilities	818	1,072	4,116	7,180
Current income tax liabilities	4,551	14,199	29,990	37,405
	1,066,074	608,155	441,485	361,706
Net Current (Liabilities)/Assets	(688,707)	7,296	(267,534)	(228,833)

We recorded net current liabilities as at 31 December 2016 primarily because historically we mainly financed our capital expenditures for the construction of the premises in Xinji Shaxi Hospitality Supplies Expo Center, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) with short term bank borrowings amounted to RMB500.9 million and/or cash flows generated from our operations. The underlying reasons for the change from recording net current assets to net current liabilities as at 31 December 2018 was mainly due to aggregate effect of decrease in amounts due from related parties as a result of repayment from related parties of RMB485.1 million and increase in amount due to related parties of RMB54.6 million. The underlying reasons for decrease of the net current liabilities as of 30 April 2019 was primarily attributable to the aggregate effect of the capital injection by our Pre-IPO investor amounted to RMB55.8 million, and the decrease in amount due to related parties of RMB51.4 million. We expect that our net current liabilities position will be alleviated after the receipt of the net proceeds from the Global Offering.

Summary of consolidated statements of cash flows

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	147,554	12,121	147,392	66,174	23,598
Net cash (used in)/generated from investing activities	(41,441)	(535,942)	306,043	(99,270)	(6,066)
Net cash (used in)/generated from financing activities	(46,914)	484,503	(464,789)	16,298	39,784
Net increase/(decrease) in cash and cash equivalents	59,199	(39,318)	(11,354)	(16,798)	57,316
Cash and cash equivalents at beginning of year/period	2,756	61,955	22,637	22,637	11,283
Exchange gain on cash and cash equivalents	—	—	—	—	263
Cash and cash equivalents at end of year/period	61,955	22,637	11,283	5,839	68,862

For the year ended 31 December 2017, we recorded net cash flow used in investing activities of RMB535.9 million, as a primary result of cash advanced to related parties of RMB491.7 million.

For the year ended 31 December 2018, we recorded net cash used in financing activities of approximately RMB464.8 million, primarily reflecting the repayment of borrowings of RMB465.8 million, and cash consideration paid to the Controlling Shareholders for the Group's subsidiaries of RMB88.8 million as part of Reorganisation, partially offset by the proceeds from borrowing of RMB106.9 million.

Key Financial Ratios

		Year ended 31 December			**Four months ended 30 April**
	Note	**2016**	**2017**	**2018**	**2019**
Core Net Profit Margin	*1*	11.0%	5.6%	22.8%	34.6%
Return on Equity	*2*	5.0%	5.9%	17.0%	N/A[6]
Return on Assets	*3*	2.4%	2.5%	8.1%	N/A[6]

		At 31 December			**Four months ended 30 April**
	Note	**2016**	**2017**	**2018**	**2019**
Current Ratio	*4*	0.35	1.01	0.39	0.37
Gearing Ratio	*5*	26.6%	66.3%	44.7%	38.2%

1. Core net profit margin is calculated by our core net profit for the equity owners of the Company divided by the revenue for each reporting period and multiplied by 100%. Our core net profit does not take into account any non-controlling interests.

2. Return on equity is calculated by the profit for the year divided by the total equity as at the end of each reporting period.

3. Return on assets is calculated by the profit for the year divided by the total assets as at the end of each reporting period.

4. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.

5. Gearing ratio is calculated based on total borrowings (exclude cash and cash equivalents and restricted cash) divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings includes bank borrowings and borrowings from non-bank financial institutions.

6. This calculation is not applicable for the four months ended 30 April 2019 as (i) a calculation using profit for the period is not comparable to using the profit for the year; and (ii) the profit for the period cannot be meaningfully annualized due to the incurrence of one-off listing expenses during the period.

VALUATION OF OUR PROPERTIES

Set forth below is the summary of values of our properties:

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
1.	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) located at No. 59–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	518,600,000	100%	518,600,000
2.	Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) located at No. 57–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	921,500,000	100%	921,500,000
	Sub-total:	**1,440,100,000**	**100%**	**1,440,100,000**

Group II — Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
3.	A parcel of industrial land located at No. 57 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	4,640,000	100%	4,640,000
4.	A parcel of industrial land and temporary structures located at No. 59 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC Liaoning Province, the PRC	23,730,000	100%	23,730,000
	Sub-total:	**28,370,000**	**100%**	**28,370,000**

Group III — Property interests rented by the Group in the PRC

No.	**Property**	**Market value in existing state as at 31 August 2019** *RMB*	**Interest Attributable to the Group**	**Market value Attributable to the Group as at 31 August 2019** *RMB*
5.	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) located at No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
6.	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) located at Northern side of Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
7.	Xinji Dashi Home Furnishings Center (信基大石傢俬城) located at No. 105 Guo Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
8.	Portion of 1 st to 3rd Floor of Xinjicheng Club (信基城會所) located at No. 250 Nanda Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
	Sub-total:	**No commercial value**	**100%**	**No commercial value**
	Grand Total:	**1,468,470,000**	**100%**	**1,468,470,000**

In valuing the property interests in Group I and II, our independent property valuer, Avista, have valued by market approach by making reference to comparable market transactions in our assessment of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Specifically, a range of unit rates between RMB8,000 to RMB15,000 per sq.m. as varied by floor levels, on lettable area basis, with respect to property No. 1, a range of unit rates between RMB10,000 to RMB18,000 per sq.m. with respect to property No. 2, a range of unit rates between RMB365 to RMB440 per sq.m. with respect to property No. 3, and a range of unit rates between RMB320 to RMB390 per sq.m. with respect to property No. 4, were adopted as parameters for valuation purpose.

In valuing the property interests of property No. 5, 6 and 7 under Group III, Avista have valued by the income approach by taking into account the rental income of the properties derived from the existing leases or sub-leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases or sub-leases which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market. In valuing the property interests of property No. 8 under Group III, which are rented by the Group, Avista have attributed no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rents or short-term nature.

With respect to property No. 5, rent of similar properties in the locality concerned in the region of RMB25 to RMB35/sq.m. per month on lettable area basis for storage purpose, and RMB170 to RMB210/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 8%, were adopted for valuation purpose.

With respect to property No. 6, rent of similar properties in the locality concerned in the region of RMB25 to RMB35/sq.m. per month on lettable area basis for storage purpose, and RMB50 to RMB85/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 8%, were adopted for valuation purpose.

With respect to property No. 7, rent of similar properties in the locality concerned in the region of RMB20 to RMB30/sq.m. per month on lettable area basis for storage purpose, and RMB60 to RMB80/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 6%, were adopted for valuation purpose.

Property No.5, 6, 7 and 8 as set out in Appendix III Property Valuation Report belong to the property interests rented by the Group in the PRC, no commercial value was assigned as they could not be freely transferred in the market.

However, due to the Property No.5, 6 and 7 are rented and sub-leased by the Group, they can generate income/profit to the Group. Therefore, for reference purpose, Avista have assigned an estimated value to them as at the valuation date.

Please refer to the Property Valuation Report as set out in Appendix III to this prospectus for further details of the valuation of our properties.

Excluded Properties used for Business Operation

While our Group has considered acquiring the properties for the operation of Xinji Dashi Home Furnishings Center (信基大石傢俬城) which is located at Ground Floor and mezzanine of Building 3–5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou* (廣州市番禺區105國道富麗廣場3–5座首、夾層) we leased from Panyu Real Estate on the prevailing market price, our Group estimated that the tax incurred for such transactions, including but not limited to value-added tax, land value-added tax and corporate tax, would amount to not less than RMB80.0 million. As such, our Directors consider that it is impractical and unduly burdensome for our Group to purchase such properties.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As a result of the promulgation of the Urban Design of Luoxi Island in Panyu District and Controlled Detailed Planning of Shaxi Group《番禺區洛溪島城市設計及沙溪組團控制性詳細規劃》by the Guangzhou Land Planning and Resources Bureau* (廣州市規劃和自然資源局), two of our shopping malls located at Luoxi Island, namely Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center, are subject to the potential change in land use brought by the proposed urban development and expansion of transportation network in the region. In this regard, our Group obtained a confirmation from Guangzhou Panyu Land Planning and Resources Bureau* (廣州市番禺區國土資源和規劃局) reassuring that the said changes would not result in the demolition or relocation of our two shopping malls. As a result, there is no potential impact on our business operation and financial condition in light of the said changes.

Set forth below are certain material developments on our business and results of operations subsequent to the Track Record Period:

(i) the pricing of our rental income remained stable;

(ii) the LFA of each of our shopping malls remained stable;

(iii) approximately 10,051.14 sq.m. of our retail space underwent renovation at Xinji Shaxi Hospitality Supplies Expo Center was successfully leased to tenants and we recorded an increase in occupancy rate from 95.9% as of 30 April 2019 to 99.5% as at the Latest Practicable Date;

(iv) the occupancy rate of Xinji Dashi Home Furnishings Center remained at 100% as at the Latest Practicable Date;

(v) the occupancy rate of Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) increased from 50.5% as of 30 April 2019 to 56.7% as at the Latest Practicable Date;

(vi) the occupancy rate of Xinji Shaxi Home Furnishings Expo Center (Shenyang) increased from 79.1% as of 30 April 2019 to 81.9% as at the Latest Practicable Date;

(vii) as at the Latest Practicable Date, we have secured over 70% of new tenants at our first managed hospitality supplies shopping mall and renovation work have commenced; and

(viii) the managed hospitality supplies hopping mall was undergoing all necessary operational preparations for the grand opening target in late 2019.

Notwithstanding the fact that there is no material adverse change in our business since the end of the Track Record Period, we expect that our profit for 2019 will be lower than that for 2018 primarily due to the absence of significant increase in fair value gains on the investment properties and the absence of one-off compensation for demolition as compared to 31 December 2018, and the increase in selling and administrative expenses as a result of: (i) an expected increase in employee benefit expenses due to an increase in the average salary of our employees; (ii) the fees to be incurred as a consequence of being a listed company on the Stock Exchange, such as the auditor's remuneration, the annual listing fee and related consulting fees; and (iii) the increase in listing expense.

After performing all the due diligence work which the Directors consider appropriate, our Directors confirmed that there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant's Report as set forth in Appendix I to this prospectus since the Latest Practicable Date. As of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering, after deducting related underwriting fees and estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.00 per Share (being the mid-point of the indicative Offer Price range of HK$0.90 to HK$1.10), will be approximately HK$235.8 million. Our Directors presently intend to apply the remaining net proceeds as follows:

Intended applications	Approximate amount of net proceeds	Fully utilized by year ending
Repayment of our bank borrowings for the construction cost and sales and marketing cost for our shopping malls	HK$61.5 million or approximately 26.1%	31 December 2019
Project development of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou in China	HK$174.3 million or approximately 73.9%	30 June 2023

For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Please also refer to the section headed "Future Plans and Use of Proceeds — Implementation Plans" for detailed reasons for our Listing.

GLOBAL OFFERING STATISTICS

Offer size:	Initially 375,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company
Offering structure:	37,500,000 Offer Shares, representing approximately 10% of the number of Offer Shares initially available under the Global Offering for the Hong Kong Public Offering (subject to reallocation) and 337,500,000 Offer Shares consisting of 262,500,000 new Shares and 75,000,000 Sale Shares, together representing approximately 90% of the number of Offer Shares initially available under the Global Offering for the International Offering (subject to reallocation and the Over-allotment Option)
Over-allotment Option:	Up to 56,250,000 Offer Shares, representing 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK$0.90 to HK$1.10 per Offer Share

	Based on an Offer Price of HK$0.90 per Share	**Based on an Offer Price of HK$1.10 per Share**
Market capitalisation of our Shares *(Note 2)*	HK$1,350 million	HK$1,650 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share *(Note 3)*	HK$1.36	HK$1.40

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

2. The calculation of market capitalisation is based on 1,500,000,000 Shares expected to be issued under the Global Offering, and assuming that 1,500,000,000 Shares are issued and outstanding immediately following the completion of the Capitalisation Issue and the Global Offering.

3. The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" and on the basis that 1,500,000,000 Shares are issued and outstanding immediately following the completion of the Capitalisation Issue and the Global Offering.

LISTING EXPENSES

Assuming an Offer Price of HK$1.00 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately RMB55.2 million, of which approximately RMB18.7 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of approximately RMB36.5 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses, of approximately RMB21.9 million in relation to services already performed by relevant parties, were reflected in our consolidated statements of comprehensive income for the year ended 31 December 2018 and the four months ended 30 April 2019, and an additional of approximately RMB14.6 million is expected to be recognized in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing.

Our listing expenses of approximately RMB5.0 million will be borne by the Selling Shareholders and the proceeds of approximately RMB64.5 million generated from the Sale Shares will not be available to the Company.

In view of the above, our Directors are of the view that the one-off listing expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending 31 December 2019. We wish to emphasize that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognized in our combined statements of profit or loss for the year ending 31 December 2019 will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019.

The payment and amount of any dividends will be at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory or contractual restrictions, and other factors that our Board deems relevant. As such, we do not have a predetermined dividend payout ratio.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our operating subsidiaries.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them
"Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 3 October 2019, which will become effective upon the Listing (as amended from time to time), a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"business day(s)"	any day(s) (excluding Saturday(s), Sunday(s) and public holiday(s)) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central government", "Chinese government" or "PRC government"	the central government of PRC, including all government subdivisions (including provincial, municipal or other regional or local government entities) and instrumentalities
"Chairman"	Mr. Cheung, the chairman of our Board

"China Tonghai Securities"	China Tonghai Securities Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in futures securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the SFO, being the Joint Global Coordinators together with RaffAello Securities
"CHSA"	China Hotel Supplies Association (中國酒店用品協會)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) 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 Registry"	the Companies Registry of Hong Kong
"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" and "our Company"	Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to the group of controlling shareholders of our Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
"core connected person"	has the meaning ascribed to it under the Listing Rules

"Deed of Indemnity"	the deed of indemnity dated 22 October 2019 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed "Statutory and General Information — E. Other Information — 1. Tax and other indemnity" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 22 October 2019 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in this prospectus
"Director(s)"	the director(s) of our Company
"Dragon International"	DRAGON RICHLY INTERNATIONAL INVESTMENT LIMITED (龍暉國際投資有限公司), a company incorporated under the laws of Hong Kong with limited liability on 1 June 2018, which is co-owned by Mr. Chan, Mr. Lin Mingxin, Mr. Li and Ms. Liang Yujing
"Fupin Investment"	FUPIN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Government"	the government of Hong Kong
"**GREEN** Application Form(s)"	the application form(s) to be completed by HK eIPO White Form Service Provider
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
"Guangdong Yingbin"	Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司), formerly known as Guangdong Yingbin International Hotel Supplies Expo Company Limited* (廣東迎賓國際酒店用品博覽有限公司), a limited liability company established in the PRC on 19 July 2007, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang

"Guangdong Xinji Exhibition"	Guangdong Xinji International Exhibition Company Limited* (廣東信基國際展覽有限公司), a limited liability company established in the PRC on 14 June 2018, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Guangdong Xinji Household"	Guangdong Xinji Household Company Limited* (廣東信基家居有限公司), a limited liability company established in the PRC on 14 November 2013, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Guangzhou Real Estate"	Guangzhou Xinji Real Estate Development Co., Ltd. (廣州市信基置業房地產開發有限公司), a limited liability company established in the PRC on 22 February 2001, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Guangzhou Shaxi Hotel"	Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), formerly known as Guangzhou Panyu Shaxi Daily Industrial Products City Company Limited* (廣州市番禺沙溪日用工業品商業城有限公司), a limited liability company established in the PRC on 8 January 2002, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Guangzhou Wanhua Hotel"	Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司), formerly known as Guangzhou Wanhua Real Estates Development Company Limited* (廣州萬華房地產經營有限公司), a limited liability company established in the PRC on 24 June 2004, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Guangzhou Xinji Commerce"	Guangzhou Xinji Commerce Operation Management Company Limited* (廣州信基商業運營管理有限公司), a limited liability company established in the PRC on 30 January 2018, which is owned as to 55% by Guangzhou Shaxi Hotel, our indirect wholly-owned subsidiary, and 35% by Mr. Liang Dexiang and 10% by Mr. Chen Shaochang, upon completion of the Reorganisation

"Guangzhou Xinji Dajing"	Guangzhou Xinji Dajing Electronic Commerce Company Limited* (廣州信基達境電子商務有限公司), a limited liability company established in the PRC on 30 December 2016, which is owned as to 60% by Guangzhou Shaxi Hotel, our indirect wholly-owned subsidiary, and 31% by Shanghai Dingshang Advertising Company Limited* (上海鼎尚廣告有限公司), 3.5% by Ms. Jin, 3.5% by CHSA through Ms. Peng Meiying as trustee and 2% by Mr. Gu Weibin, upon completion of the Reorganisation
"Guangzhou Xinji Dingshang"	Guangzhou Xinji Dingshang Electronic Company Limited* (廣州信基鼎尚電子有限公司), a limited liability company established in the PRC on 20 September 2017, a direct wholly-owned subsidiary of Guangzhou Xinji Dajing
"Guangzhou Xinji"	Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), a limited liability company established in the PRC on 25 September 2018, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Guangzhou Yaodu"	Guangzhou Yaodu Investment Company Limited* (廣州耀都投資有限公司), a limited liability company established in the PRC on 16 March 2012
"Hong Kong Legal Counsel"	Mr. Leung Wai-Keung, Richard, barrister-at-law in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" and "cents"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"Honchuen Investment"	HONCHUEN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly owned by Mr. Cheung
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Dragon"	DRAGON RICHLY DEVELOPMENT LIMITED (龍暉發展有限公司), a company incorporated under the laws of Hong Kong with limited liability on 26 September 2003, which is co-owned by Mr. Chan, Mr. Li, Mr. Lin Mingxin, Ms. Liang Yujing, Ms. Liang Wenli and Mr. Ma Ching Wing
"Hong Kong Offer Shares"	the 37,500,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Company's Share Registrar in Hong Kong
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	Tricor Investor Services Limited
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 23 October 2019 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" in this prospectus.
"Hong Kong Xinji"	Hongkong Xinji Shaxi Hotel Supplies Development Limited (香港信基沙溪酒店用品發展有限公司), a company incorporated under the laws of Hong Kong with limited liability on 28 August 2018, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"HOSFAIR"	The China (Guangzhou) International Hospitality Supplies Fair (中國(廣州)國際酒店用品展覽會)

"Huiqun Investment"	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
"Independent Third Party(ies)"	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
"Industry Consultant" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Industry Report"	a market research report commissioned by our Company and issued by Frost & Sullivan
"International Offer Shares"	the 337,500,000 Shares comprising 262,500,000 new Shares and 75,000,000 Sale Shares initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters in respect of the International Offering, as further described in the section headed "Underwriting — The International Offering" in this prospectus
"Joint Bookrunners"	China Tonghai Securities, RaffAello Securities and China Industrial Securities International Capital Limited
"Joint Global Coordinators"	China Tonghai Securities and RaffAello Securities

"Joint Lead Managers"	China Tonghai Securities, RaffAello Securities, China Industrial Securities International Capital Limited, Sorrento Securities Limited, I Win Securities Limited, Fortune (HK) Securities Limited and Lead Securities (HK) Limited
"Latest Practicable Date"	15 October 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"LFA"	leaseable floor area
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	The listing committee of the Stock Exchange
"Listing Date"	the date on which the Shares are listed and from which dealings in Shares commence, which is expected to be on or about 8 November 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on 3 October 2019, which will become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"MOHURD"	The Ministry of Housing and Urban-Rural Development of China
"Mr. Chan"	Mr. Chan Wing Hung (陳永洪), one of the beneficial owners of Hong Kong Dragon, Real Smart Investment and Dragon International
"Mr. Cheung"	Mr. Cheung Hon Chuen (張漢泉), an executive Director, our Chairman and one of our founders and Controlling Shareholders
"Mr. Li"	Mr. Li Zhanpeng (黎展鵬), a non-executive Director
"Mr. Lin"	Mr. Lin Yi (林億), the sole shareholder of Zhanpeng Investment which is our Pre-IPO Investor

"Mr. Mei"	Mr. Mei Zuoting (梅佐挺), an executive Director and one of our founders and Controlling Shareholders
"Mr. Zhang"	Mr. Zhang Weixin (張偉新), an executive Director and one of our founders and Controlling Shareholders
"Ms. Jin"	Ms. Jin Chunyan (靳春雁), an executive Director and the chief financial officer of our Company
"Online Shopping Mall"	our online shopping mall selling hospitality supplies and home furnishings at jdyp.jd.com under the trade name of "Xinji Hospitality Supplies Shopping Mall (信基酒店用品城)"
"O2O"	online-to-offline or offline-to-online business model involving enticing potential customers from the internet or in the online space, for example through emails and online advertisements, and using variety of tools to draw such customers to physical stores; or alternatively, by exhibiting the products in the physical store, allowing customers to place orders online and receive delivery after the product experience at the physical store
"occupancy rate"	the total leased LFA divided by total LFA at a given date
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may allot and issue up to an aggregate of 56,250,000 additional Offer Shares, representing up to 15% of the initial number of the Offer Shares under the Global Offering, at the Offer Price subject to the terms of the International Underwriting Agreement, details of which are described in the section headed "Structure and Conditions of the Global Offering" of this prospectus
"Offer Price"	the Offer price for each Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK$1.10 per Offer Share and not less than HK$0.90 per Offer Share, such price to be determined on or before the Price Determination Date
"Offer Share(s)"	the 300,000,000 new Shares and 75,000,000 Sale Shares being offered by our Company for subscription and by the Selling Shareholders for sale at the Offer Price under the Global Offering

"Panyu Real Estate"	Guangzhou Panyu Xinji Real Estate Development Co., Ltd.* (廣州市番禺信基房產發展有限公司), a limited liability company established in the PRC on 30 November 1998 which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"PRC" or "China"	the People's Republic of China, for the purpose of this prospectus and unless the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	King & Wood Mallesons, our legal advisers as to the laws of the PRC
"PRC Litigation Legal Advisers"	Liaoning Kaiyu Law Firm, our legal advisers as to PRC litigation law
"PRC Trust Legal Advisers"	Guangdong Hopesun Law Firm, our legal advisers as to PRC trust law
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
"Pre-IPO Investment"	the investment in our Company made by the Pre-IPO Investor pursuant to the Pre-IPO Investment Agreement
"Pre-IPO Investment Agreement"	an investment agreement dated 30 January 2019 entered into among our Company, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment, Weixin Development and the Pre-IPO Investor, a summary of which are set out in the section headed "History, Corporate Structure and Reorganisation — Pre-IPO Investment" in this prospectus
"Pre-IPO Investor"	Zhanpeng Investment, which is wholly owned by Mr. Lin
"Price Determination Agreement"	the agreement to be entered into by our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to determine the Offer Price
"Price Determination Date"	30 October 2019, or such other date as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) being the date on which the Offer Price will be fixed for the purpose of the Global Offering, which in any event no later than 6 November 2019

"RaffAello Securities"	RaffAello Securities (HK) Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activity under the SFO, being the Joint Global Coordinators together with China Tonghai Securities
"Real Smart Investment"	REAL SMART INVESTMENT DEVELOPMENT LIMITED (駿杰投資發展有限公司), a limited liability company established in the BVI on 17 May 2018, which is co-owned by Mr. Chan, Mr. Lin Mingxin, Mr. Li and Ms. Liang Yujing
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for Listing as more particularly described in the paragraph heading "History, Corporate Structure and Reorganisation — Reorganisation" in this prospectus
"Sale Shares"	the 75,000,000 Offer Shares initially offered by the Selling Shareholders for sale at the Offer Price under the International Offering
"Selling Shareholders"	Honchuen Investment, Zuoting Investment and Weixin Development, being the Shareholders which offer the Sale Shares for sale under the Global Offering, particulars of which are set out in the paragraph headed "E. Other Information — 10. Particulars of the Selling Shareholders" in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	the holder(s) of issued Shares of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 3 October 2019, the principal terms of which are summarized in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus
"Shenyang Shaxi Hotel"	Shenyang Shaxi International Hospitality Supplies Expo Centre Company Limited* (瀋陽沙溪國際酒店用品博覽中心有限公司), a limited liability company established in the PRC on 10 June 2009, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

"Shenyang Shaxi Household"	Shenyang Shaxi International Home Furnishings Expo Centre Company Limited* (瀋陽沙溪國際家居用品博覽中心有限公司), a limited liability company established in the PRC on 10 June 2009, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Shenyang Xinji Industrial"	Shenyang Xinji Industrial Company Limited* (瀋陽信基實業有限公司), formerly known as Shenyang Xinji Hospitality Supplies Company Limited* (瀋陽信基酒店用品有限公司), Shenyang Xinji Real Estate Investment Development Company Limited* (瀋陽信基房地產投資開發有限公司) and Shenyang Xinji Real Estate Development Company Limited* (瀋陽信基房地產開發有限公司), a limited liability company established in the PRC on 13 May 2009, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Shunwell International"	SHUNWELL INTERNATIONAL GROUP LIMITED (信和國際控股有限公司), a company incorporated under the laws of Hong Kong with limited liability on 16 March 2009, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Sponsor" or "Sole Sponsor" or "RaffAello Capital"	RaffAello Capital Limited, a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Global Offering
"sq.m."	square meters
"Stabilising Manager"	China Tonghai Securities Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliates acting on its behalf) and Honchuen Investment, Zuoting Investment and Weixin Development, pursuant to which Honchuen Investment, Zuoting Investment and Weixin Development will agree to lend up to 56,250,000 Shares to the Stabilising Manager
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the three financial years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019
"Underwriter(s)"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US" or "United States"	the United States of America
"US$"	United States dollar(s), the lawful currency of the US
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Weixin Development"	WEIXIN DEVELOPMENT OVERSEAS LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly owned by Mr. Zhang
"**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 applicants' own name(s)
"Xinji Huazhan"	Guangdong Xinji Huazhan Exhibition Company Limited* (廣東信基華展展覽有限公司), a limited liability company established in the PRC on 12 December 2014, which is owned as to 80% by Guangzhou Shaxi Hotel, our indirect wholly-owned subsidiary, 10% by Guangzhou Huazhan Exhibition Planning Company Limited* (廣州華展展覽策劃有限公司), 5% Mr. Caozijan and 5% by Mr. Tang Shusong, upon completion of the Reorganisation
"Xinji Company"	Xinji Group Company Limited* (信基集團有限公司), formerly known as Guangzhou Xinji Industrial Investment Company Limited* (廣州市信基實業投資有限公司), a limited liability company established in the PRC on 9 July 2007, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Xinji Group"	the subsidiaries of Xinji Company and companies which are controlled by our Controlling Shareholders and operated under the brand name of "Xinji", excluding our Group
"Xinji Shaxi Holding"	Xinji Shaxi Holding Limited (信基沙溪控股有限公司), a company incorporated under the laws of the BVI with limited liability on 24 July 2018, a direct wholly-owned subsidiary of our Company

"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yuxing Holding"	YUXING HOLDING LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
"Zhanpeng Investment"	Zhanpeng Investment (Hongkong) Company Limited (展鵬投資(香港)有限公司), a company incorporated under the laws of the BVI with limited liability on 9 November 2018, our Pre-IPO Investor
"Zhongzhi Holding"	ZHONGZHI HOLDING LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly owned by Mr. Zhang
"Zuoting Investment"	ZUOTING INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly owned by Mr. Mei
"%"	percent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

HK$7.85 : US$1.00; and
HK$1.00 : RMB0.86

No representation is made that any amounts in HK$, US$ or RMB were or could have been converted at the above rate or at any other rates or at all.

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

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "*" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

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

"Chained home supplies mall"	a home supplies shopping mall that shares a brand and central management, usually with standardized business model and practices
"GDP"	gross domestic product
"Home supplies"	products including furniture, building ceramics, lightings, floorings, coatings, wall finish, hardware and electrical equipment, kitchen and bathroom furnishings, home textiles and decorative items
"Hospitality supplies"	a collection of products that meet the needs for the operation of hotels, restaurants and clubs
"Hospitality supplies mall"	a professional shopping mall selling hospitality supplies for the operation of hotels, restaurant and clubs or other industry customers
"Operating area"	the area that can be used to generate income within a shopping mall
"R&D"	research and development

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed ''Summary'', Risk Factors'', ''Industry Overview'', ''Business'', ''Financial Information'' and ''Future Plans and Use of Proceeds'' in this prospectus. These statements relate to the events that involve known and unknown risks, uncertainties and other factors, including those listed under the section ''Risk Factors'' in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, statements relating to:

- our business strategies and plans of operations;
- capital expenditure and expansion plans;
- the amount and nature of, and potential for, future development of our Group's business;
- our operations and business prospects;
- our dividends policy;
- the projects under planning;
- the regulatory environment of the relevant industry and markets in general;
- the actions and developments of our competitors;
- the future development in relevant industry and markets; and
- other factors referenced in this prospectus.

The words ''aim'', ''anticipate'', ''believe'', ''could'', ''estimate'', ''going forward'', ''might'', ''ought to'', ''expect'', ''intend'', ''may'', ''plan'', ''potential'', ''predict'', ''project'', ''seek'', ''shall'', ''should'', ''will'', ''would'' and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including:

- any changes in the laws, rules and regulations of the local government in PRC and other relevant jurisdictions relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of the Listing Rules, applicable laws, rules and regulations, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement set forth in this section as well as the risks and uncertainties discussed in the section headed ''Risk Factors'' in this prospectus.

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

As an investment in the Offer Shares is meant to produce returns over the long-term, you should not expect to obtain short-term gains. The price of the Offer Shares, and the income from them, may rise or fall and may not fully reflect the underlying net assets attributable to them. You may not get back your original investment and you may not receive any distributions.

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

We believe that there are certain risks and uncertainties involved in or with our operations, business strategies and corporate structure and an investment in the Offer Shares, some of which are beyond our control.

We have categorized these risks and uncertainties as follows: (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in the PRC, and (iv) risks relating to the Global Offering and our Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our business depends significantly on the market recognition of our "信基沙溪 (Xinji Shaxi)" brand and any damage to our brand or failure to effectively promote our brand could materially and adversely impact our business and results of operations

As at the Latest Practicable Date, we mainly operated our business under our "信基沙溪 (Xinji Shaxi)" brand and the brand recognition of "信基沙溪 (Xinji Shaxi)" plays an important role in marketing our shopping malls to potential tenants. Any negative incident or negative publicity concerning us, our business or our tenants could adversely affect our reputation and business. Our brand value and demand for our shopping malls could decline significantly if we fail to maintain the quality of our shopping malls or fail to deliver a consistently positive experience to the tenants and footfalls of our shopping malls. In addition, our efforts to protect our brand name may not be adequate and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and a diversion of resources and, consequently, could adversely affect our business, results of operations, financial condition and prospects.

We may fail to renew our existing leases for which our shopping malls are located and our business, results of operations and ability to implement our growth strategy will be adversely affected

We generate our revenues primarily from leasing spaces of our shopping malls to our tenants. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our rental income was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5%, respectively, of our total income. As of 30 April 2019, two out of our five shopping malls were built on pieces of collectively-owned construction land leased from Independent Third Parties, which contributed approximately RMB159.5 million, RMB159.2 million, RMB206.6 million and RMB69.7 million of our revenue for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. As advised by our PRC Legal Advisers, according to the applicable PRC laws and regulations, if our existing leases expire and we want to continuously use the pieces of land where these two shopping malls were built, we have to obtain the consent of at least two-third of the members or the representatives of members of the related collective economic organization, and walk through the tender, auction and listing-for-bidding process organised by relevant PRC competent government authorities. If we are unable to renew leases or renew the leases on commercially reasonable terms for our shopping mall sites, we would have to close or relocate the relevant shopping mall, which may adversely affect the result of our operations during the period of the shopping mall closure and subject to the risk of litigation or claims by our tenants or other third parties. Furthermore, we would have to incur additional cost for relocating a shopping mall, including renovation and relocation costs and there is no certainty that the new replacement shopping mall would have similar or better performance as compared to the closed shopping mall. Therefore, any inability to renew our existing leases on commercially reasonable terms or at all could have a material adverse effect on our business and results of operations. Please refer to the section headed "Business — Properties — Leased properties" for further details.

We may be unable to lease or re-lease space to our tenants in our shopping malls on favourable terms or at all

Our results of operations depend on our ability to lease spaces to our tenants in our shopping malls, including re-leasing spaces in shopping malls where leases are expiring, optimising our tenant mix and leasing spaces on more favourable terms. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the average occupancy rate of our five shopping malls was approximately 78.0%, 81.3%, 81.6% and 85.2%, respectively. Our rental income for the same periods was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5%, respectively, of our total income. However, we generally do not include automatic renewal or renewal upon notice provisions in our leases. Accordingly, we must agree on the terms of a new lease with existing tenants when their leases expire to retain these tenants. If a tenant disputes a proposed increase in rent upon renewal of its lease and we are unable to find a replacement tenant, our ability to raise the rent may be constrained. In addition, we cannot assure you that the demand for spaces in our shopping malls will remain high. If any of our tenants chooses not to renew their leases, we may not find suitable replacement tenants and any new leases could be on terms less favourable than those contained in the expiring leases. Furthermore, a loss of certain tenants may adversely affect our ability to optimise the tenant mix at our shopping malls. The occurrence of the foregoing factors could adversely affect footfall levels, rental income and/or occupancy rates at our shopping malls, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our other income is non-recurring

Our other income mainly represented dividend income from financial assets at fair value through other comprehensive income, compensation for demolition, forfeiture of advances received from customers, commission income due to amendment of rental contracts and other service income. Our other income amounted to RMB3.7 million, RMB3.9 million, RMB69.3 million and RMB1.7 million for the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The non-recurring nature of our other income could materially affect our financial performance. The majority of our other income is non-recurring in nature, in particular the compensation for demolition and we cannot guarantee that we will continue to secure the other income and the financial performance of our Group will be adversely affected.

We may not be able to fully and effectively compete against online sales network in China

We generate our revenues primarily from leasing spaces of our shopping malls to our tenants and do not carry on substantial operation of direct channels such as online sales. The rapid technological development of the Internet has fundamentally changed traditional transaction patterns. As e-commerce has become more popular, consumers and businesses have increasingly engaged in online evaluation, selection and purchase of goods and services. This increase has been fueled by (i) consumers rapidly adopting online shopping practices, (ii) more traditional retailers embracing online shopping, and (iii) new technologies being introduced to enhance online shopping experiences. Recently, a number of large-scale online retailers have emerged and an increasing number of leading retailers are offering secured online ordering and home delivery services. Therefore, we may face competition from online retailers. If we fail to tailor to the customers' favour and offer good users' experience to those who patronize our shopping malls, and therefore fail to retain or appeal to our tenants at a competitive rental or at all, our market share may decrease and our results of operations may be adversely affected.

Our results of operations are dependent on our tenants' business performance

Our results of operations are dependent on rental income from our tenants, which in turn, is influenced by the business performance of our tenants. The business performance of our tenants is beyond our control and could underperform due to a number of factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for their products and adverse market or economic conditions in the markets where they operate. Moreover, if the sales persons employed by our tenants fail to comply with our relevant guidelines, or if the products they sell in our shopping malls are defective, our market image and business will be materially and adversely affected. If our tenants experience underperformance, we may face delays in receiving rental payments or have difficulty in negotiating extensions to leases.

If any of our tenants chooses to or is forced to close their stores at our shopping malls, we may not be able to find suitable replacement tenants in a timely manner, or at all. In addition, closures of stores may result in decreased footfall in our shopping malls, which could lead to decreased sales at other stores in our shopping malls and cause a loss of the affected tenants. If the sales turnover of stores operating in our shopping malls were to decline significantly due to these closures, our rental income and/or occupancy rates could decline, which could have a material adverse effect on our business, results of operations, financial conditions and prospects.

Our non-compliance with relevant social insurance and housing provident fund contribution laws and regulations in the PRC might lead to imposition of fines and penalties

As required by PRC regulations, we are required to make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing provident funds, to designated government agencies. During the Track Record Period, we did not make sufficient contributions to the social insurance and housing provident funds for some of the employees, in some cases, due to the voluntary decisions made by the relevant employees. See the section headed "Business — Non-Compliance Incidents" in this prospectus. According to the relevant PRC laws and regulations, our failure in making requisite social insurance or housing provident fund contributions may result in a late fees imposed on us or us being required to rectify the non-compliance by any relevant governmental authorities. In this respect, we had made provisions for unpaid contributions in the aggregate amount of approximately RMB7.9 million.

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance or housing provident funds against us, or that we will not receive any claims in respect of social insurance contributions under national laws and regulation. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

The incurrence of rental expenses not substantially incurred during the Track Record Period might have adverse effect on the profitability of our business and our financial performance

We run Xinji Dashi Home Furnishings Center (信基大石傢俬城) on premises owned by Panyu Real Estate, a member of the Xinji Group and owned by our Controlling Shareholders, during the substantial part of the Track Record Period and no significant rental expenses was therefore incurred for that period. However, on 1 December 2018, Panyu Real Estate transferred such business to our Group as part of the Reorganization and we entered into the Household Market Tenancy Agreement with Panyu Real Estate, pursuant to which we leased the premises from Panyu Real Estate for the period from 1 December 2018 to 30 November 2021. For details, please refer to the section headed "Connected Transactions". As a result, we have incurred and will continue to incur a monthly rental expense of not less than RMB460,181 for the three years ending 30 November 2021, a sum that we have not significantly incurred during the Track Record Period, and accordingly the profitability of our business and our financial performance in future may be aversely affected.

Poor performance of anchor tenants at our shopping malls may adversely affect our market image

We rely on anchor tenants that franchise nationally and internationally recognised brands to appropriately position our shopping malls and attract footfalls. If we encounter a conflict or a breakdown in commercial relations with one of our anchor tenants and fail to find suitable replacement tenants in a timely manner (or at all) to maintain our supply of prominent and high-quality products, if sales persons employed by those anchor tenants fail to comply with our relevant guidelines, or if the products they sell in our shopping malls are not accepted by or not popular among footfalls, or are defective, our market image and business will be materially and adversely affected.

Our ability to source and retain tenants may be adversely affected if we fail to effectively market and promote our shopping malls

We frequently organize promotional and marketing events to increase the sales at our shopping malls and promote and enhance our brand name and market image in order to strengthen our ability to source and retain attractive tenants. We may not be able to continue to design, develop and organize promotional events that are popular and appealing to our customers. Additionally, our competitors may compete with us by organizing similar events or developing more attractive activities. Consequently, our efforts in marketing and promotional events may not be effective in the future. Major marketing campaigns may not produce a favorable outcome and may lead to material costs. If our tenants experience difficulties in their sales or if we fail to maintain brand recognition and market image, we may not be able to retain existing tenants or attract new ones, and may lose our leverage to maintain the level of our rent and management fees. Our expenses may increase and our profit margin may drop. Any of these situations would materially and adversely affect our business, results of operation, financial condition and prospects.

We may also be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in a number of legal proceedings which arise from time to time in the ordinary course of business. In addition, we may also be subject to administrative proceedings for our failure to comply with regulatory requirements. We are subject to a payment exceeding approximately RMB1 million for an on-going litigation case. Please refer to the sections headed "Business — Legal Proceedings" and "Business — Non-compliance Incidents" for details. We may continue to be involved in disputes with various parties arising out of our operations, including with suppliers, tenants, managed shopping mall partners, employees, customers, insurers and others. Disputes and administrative penalties may lead to protests, or legal or other proceedings, and may result in disruption of our expansion plan, damage to our reputation, substantial costs and diversion of our resources and management's attention. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. In addition, from time to time, our officers and management may be involved in litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

We may fail to foresee or adjust to changing consumer tastes and demand

Our ability to accurately foresee and respond in a timely manner to constantly changing consumer tastes and demand is important to the success of our business. However, as home furnishings design and style trends and consumer preferences in China are constantly changing and affected by global lifestyle and design trends, disposable income, availability of financing, consumer confidence in the economy and other factors beyond our control, we may not be able to foresee accurately and adjust quickly to trends in consumer tastes and demand and reconstitute our tenants' profile. Any failure on our part to anticipate, identify and respond effectively and in a timely manner to changing consumer demand and home furnishings design and style trends may materially and adversely affect our business, results of operation, financial condition and prospects.

Renovation, asset enhancement works, physical damage or latent building or equipment defects to our shopping malls may disrupt the operations of our shopping malls and collection of rental income or otherwise adversely affect our business

The quality and design of our shopping malls has an influence on the demand for space in, and the occupancy rates of, our shopping malls, as well as their ability to attract footfall. To retain their attractiveness to tenants as well as footfalls and comply with applicable planning laws or regulations, our shopping malls may need to undergo renovation or asset enhancement works and carry out ad hoc maintenance or repairs in respect of faults or problems from time to time. The business and operations of our shopping malls may suffer some disruption and we may not be able to collect the rent in full or in part on space affected by such renovation and/or repair works. Footfall levels may also be adversely affected by such renovation and/or repair works.

In addition, physical damage to our shopping malls resulting from fire or other causes and design, construction or other latent building or equipment defects in our shopping malls may lead to additional capital expenditure, special repair or maintenance expenditure, business interruption, or payment of damages or other obligations to third parties, and may in turn result in an adverse impact on our business, results of operations, financial condition and prospects.

We may face uncertainty arising from the urban planning policy by the PRC local authorities from time to time

On 26 February 2019, Guangzhou Land Planning and Resources Bureau* (廣州市規劃和自然資源局) promulgated the Urban Design of Luoxi Island in Panyu District and Controlled Detailed Planning of Shaxi Group《番禺區洛溪島城市設計及沙溪組團控制性詳細規劃》in relation to some areas within the Luoxi Island (洛溪島) in Panyu District in China where two of our shopping malls, namely Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center, are located at. During the Track Record Period, the revenue contributed by these two shopping malls amounted to approximately RMB159.5 million, RMB159.2 million, RMB206.6 million and RMB69.7 million, respectively. They are subject to the potential change in land use brought by the proposed urban development and expansion of transportation network by the PRC local authorities. Despite the fact that we have obtained a confirmation from Guangzhou Panyu Land Planning and Resources Bureau* (廣州市番禺區國土資源和規劃局), a competent authority, that the said changes in the urban planning policy would not result in the demolition or relocation of our two shopping malls, we cannot assure you that our

Group will not be subject to further unforeseeable changes implemented by the PRC local authorities, or that any changes in the land use will not affect our footfalls or pose any disruption to our business operation. As a result, such unforeseeable changes in the urban planning policy could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our operating expenses and maintenance capital expenditures may be higher than expected, and all of these costs may not be recoverable

We incur operational and maintenance capital expenditures to maintain our shopping malls. Our operating expenditure could increase as a result of a number of factors, including an increase in repair and maintenance costs, insurance premiums and/or utility costs. Not all of these expenses can be passed on to our tenants. If we are required to make unanticipated operational or maintenance capital expenditures that we are unable to recover from our tenants, or if we fail to make such expenditures, the value or marketability of our shopping malls may be negatively impacted, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

We may not be able to successfully expand our business into new geographic markets

We plan to further expand our shopping mall network into other attractive markets by franchising or licensing our "信基沙溪 (Xinji Shaxi)" brand and offering shopping mall management services to properties invested by Independent Third Parties. However, we may not be able to successfully expand our business into new geographic markets due to a number of factors, including failure to do the following:

- identify cities with sufficient growth potential in which we can operate new shopping malls;
- establish cooperation with potential third party partners;
- effectively execute our expansion plans;
- effectively market our shopping malls or brand in new markets or promote ourselves in existing markets;
- replicate our successful growth model in new markets or new geographical locations; and
- follow the expected timetable with respect to the development of new shopping malls.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our liquidity position may be adversely affected if we fail to secure potential tenants under our expansion plan

We intend to utilize approximately 73.9% of the net proceeds of the Global Offering for project development of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou in China. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. We rely on cash inflow from our tenants under the expansion plan to meet our rental obligations. We would experience significant cash flow mismatch when there is a significant timing difference between receiving payments from new potential tenants and settlement of our rental payment due to our landlords at the three new shopping malls. If our tenants experience any financial distress or are unable to settle their payments due to us in a timely manner or at all and we fail to secure replacement tenants, our financial condition and results of operations may be materially and adversely affected.

Unavailability of appropriate opportunities for new managed shopping malls could hamper our growth

Our growth partially depends on our ability to expand our managed shopping mall network. In order to establish a new managed shopping mall, we need to locate suitable sites with land supply that match our overall expansion plan in our target regions. We also need to identify and negotiate with potential partners that have the financial resources and are willing to accept the level of returns we offer. We cannot assure you that appropriate opportunities for new managed shopping malls, including suitable locations and attractive partners, will be available. The availability of attractive opportunities depends on, among others, prevailing national and local market conditions, regulatory and other limits, local supply of land and investment property, alternative investment opportunities for our potential managed shopping mall partners and our expansion plans. If we are not able to identify and secure opportunities for new managed shopping malls in a timely manner, the growth of our managed shopping mall business and our shopping mall network could be adversely affected, and in turn may materially and adversely affect our business, results of operation, financial condition and prospects.

We may not be able to successfully compete with other online trade operators, in particular we have only recently launched our Online Shopping Mall

In order to capture the business opportunities in the e-commerce industry and to complement the operation and sales of our traditional physical shopping malls, we commenced the operation of our Online Shopping Mall upon our acquisition of Guangzhou Xinji Dajing in April 2018 having considered that the business opportunities in the e-commerce industry had great potential. Given the short operating history of our Online Shopping Mall, there is no assurance that we will be able to successfully compete with the other online trade operators or to fully cater for the needs and preference of consumer. If we fail to expand our Online Shopping Mall effectively and efficiently to cater for the shift of consumer preferences, our business, results of operations, financial condition and prospects may be adversely affected.

We may not have adequate insurance to cover all losses and claims arising during the course of our operations

We maintain insurance policies with policy specifications and insured limits which we believe are reasonable. However, there are certain types of losses, such as from wars and earthquake that generally are not insured because they are either uninsurable or not economically insurable. If an uninsured loss or a loss in excess of insured limits occur or if our insurers fail to fulfil their obligations for the sum insured, we could be required to incur unrecoverable costs to rectify the loss, pay compensation and lose the capital invested in the affected shopping mall and lose the anticipated future revenue from that shopping mall, and our business, results of operations and financial condition will be materially and adversely affected.

We are subject to third-party litigation risk which could result in significant liabilities and damage our reputation

We are exposed to the risk of litigation or claims by footfalls, tenants or other third parties of our shopping malls for a variety of reasons, such as accidents or injuries suffered by them while at our shopping malls, our tenants' inability to use our shopping malls in accordance with the terms of their lease and our failure to perform any of our obligations under any contracts or agreements entered into with them. These litigations and claims, regardless of merit, could adversely affect our brand image and reputation. In addition, if we are required to bear all or a portion of the costs arising out of litigations or investigations due to inadequate insurance proceeds or failure to obtain indemnification from the insurers, our business, results of operations, financial condition and prospects will be materially and adversely affected.

We may incur unanticipated costs related to compliance with health and safety and environmental laws

We are required to comply with health and safety standards in accordance with applicable laws and regulations in the PRC. If we or our tenants fail to comply with the relevant standards, we may be liable for penalties and our business or reputation could be materially and adversely affected.

We are also required to comply with applicable environmental laws in the PRC. Although we have taken certain steps to ensure that we and our tenants are in compliance with all material environmental laws, there can be no assurance that we will not in the future be subject to potential environmental liability. If an environmental liability arises in relation to any of our shopping malls and it is not capable of being remedied or is required to be remedied at our expense, our business, results of operations, financial condition and prospects will be materially and adversely affected.

In addition, amendments to existing laws and regulations relating to health and safety standards and the environment may impose more onerous requirements on us and may necessitate further capital expenditure by us or subject us to other obligations or liabilities, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are accused of infringing others' intellectual property rights, there is a risk that we will be liable for significant damages

Our tenants may sell products that infringe on third-party intellectual property rights at our shopping malls and subject us to jointly liability under PRC laws from time to time. If such event occurs, our reputation and brand recognition may suffer erosion. In addition, although we are generally indemnified by our tenants under our contracts with them, the indemnified amount may not be adequate for us to fully recover all losses caused by such inadvertent infringement. As a result, our business, results of operation, financial condition and prospects could materially and adversely affect.

We rely on certain key personnel

We depend on our senior management for the implementation of our business strategy and day-to-day operations. Accordingly, we face risks related to our ability to continue to attract, retain and motivate our senior management and other key personnel in our company. There is high demand for such skilled employees in the industry we operate in, and there is a risk that we will be unable to attract or retain qualified employees to keep up with future business needs. The loss of the services of one or more members of our management professionals and skilled employees in the absence of any suitable replacements could have a material adverse effect on our operation and future profitability.

We may fail to effectively implement our risk management and internal control policies and procedures

We have recently enhanced our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. For details, please refer to the section headed "Business — Risk Management and Internal Control" in this prospectus. However, we cannot assure you that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than we anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. In addition, given the limited history of some aspects of our risk management and internal control policies and procedures, we will require additional time to implement these policies and procedures in order to fully assess their impact and evaluate our compliance with them. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, results of operation, financial condition and prospects may be materially and adversely affected.

Our profitability may be affected by the revaluation of our investment properties at the end of each reporting periods as required by the HKFRS

We hold investment properties for long-term rental yields, or for capital appreciation, or both, and which are not occupied by the Group. We are required to reassess the fair value of our investment properties on every balance sheet date for which we issue consolidated financial statements. Our valuations are and will be primarily based on the market approach and income approach. In accordance with the HKFRS, we must recognize changes to the fair value of our property as a gain or loss (as applicable) in our income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. During the Track Record Period, we recorded a net aggregate fair value gain of investment properties of approximately RMB49.2 million, RMB50.8 million, RMB126.2 million and RMB2.1 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that the fair value of our investment properties will not decrease in the future and any decrease in the fair value of our investment properties could have an adverse effect on our profits.

If we fail to collect our receivables, our financial condition, results of operations and cash flow may be materially and adversely affected

We recorded operating lease receivables, trade receivables and other receivables in the amount of approximately RMB50.8 million, RMB56.5 million, RMB66.2 million and RMB53.0 million as of 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Please refer to the section headed "Financial Information — Consolidated balance sheets — Operating lease and trade receivables and other receivables" in this prospectus for details. We cannot assure you that we will be able to collect receivables from our debtors, in full or in a timely manner. We could be forced to write off certain receivables in accordance with HKFRS if our debtors failed to honour their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of our receivables, such as through legal proceedings. As such, our financial condition, results of operations and cash flow may be materially and adversely affected.

Our Group recorded net current liabilities as at 31 December 2016 and 31 December 2018. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected

As at 31 December 2016, 31 December 2018 and 30 April 2019, our Group's current liabilities exceeded its current assets by approximately RMB688.7 million, RMB267.5 million and RMB228.8 million, respectively. Please see "Financial Information — Working Capital" for further details. Our future liquidity, payment of trade and other payables and repayment of our outstanding debts when they become due will primarily depend on our future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Although we anticipate that we shall have sufficient working capital to meet our present requirements for the next 12 months, our future performance will be affected by the prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Our Group may continue to record net current liabilities in the future, and if we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may need to rely on additional borrowings for funding. If sufficient funds are not available, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.

The property valuation report may materially differ from the prices that can be achieved

Property valuations generally include a subjective determination of certain factors relating to the relevant properties, such as their relative market positions and location, applicable cap rates, expected maintenance costs, competitive strengths and their physical condition. There can be no assurance that the relevant properties can continue to be leased out at the same or higher market rates which the property valuations were based on. New property valuations may also become necessary to reflect any findings or facts discovered or which occurred after the date of valuation. The market values of the properties when completed may therefore differ from the values as determined by the independent valuer.

The fair value of our investment properties amounted to approximately RMB2,740.1 million, RMB2,874.4 million, RMB2,890.2 million and RMB2,932.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. However, the values of the properties (as determined by the independent valuer) are not an indication of, and do not guarantee, a sale price at that value at present or in the future. As such, the price at which we may sell a property may be lower than its value as determined by the external valuer.

Our business strategies include recruitment of staff which would lead to increase of staff costs

We plan to recruit additional staff for launching new shopping mall projects. For details, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus. We believe that our current cash and cash equivalents, anticipated cash flow from operations and the proceeds from the Global Offering will be sufficient to meet our anticipated cash needs for the above recruitment of staff. However, our financial performance may be adversely affected by the increasing staff costs. In the event that we are unable to pass on increased costs to our customers, any significant increase in staff costs may affect our financial performance.

RISKS RELATING TO OUR INDUSTRY

Our industry is affected by macro-economy globally

Our industry is volatile and is sensitive to economic slowdown or recession which is beyond our control. Economic slowdown or recession or potential economic slowdown or recession could result in a reduction in discretionary consumer spending and cause consumers to delay, defer or cancel their purchases. Prolonged economic difficulties or financial crisis or continuing decline in consumer confidence in the economy will have an adverse effect on our business, results of operations, financial condition and prospects.

Our industry is subject to intense and growing competition

Our industry is highly competitive. We compete with other commercial mall operators to attract tenants based upon rental rates, operating costs, location, condition and features of our shopping malls. Some of our competitors may offer lower rents and lower operating costs to attract tenants and the rental rates that we can charge for spaces in our shopping malls may be adversely affected. Newly developed or existing competing properties in the areas where we currently operate and where we may enter may offer unique or attractive features and have more favourable locations or better facilities than our shopping malls that draw footfalls away from our shopping malls. As a result of competition from new and existing properties or other commerce channels, footfall in our shopping malls may decline significantly, our tenants' trading performance may be adversely affected, and our occupancy rates and/or rental income may decline, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could adversely affect us

Our major operations are governed by PRC laws and regulations. The PRC legal system is based on written statutes and the legal interpretation by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會). Prior court decisions could be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations when dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. These laws, regulations and legal requirements are not fully developed and are subject to change, making interpretation and enforcement of such laws and regulations uncertain. These uncertainties could limit the reliability of legal protections available to us and could negatively affect our business, results of operations and financial condition. In addition, any litigation in China could be protracted and result in substantial costs and diversion of resources and management attention.

The economic, political and social conditions in China, as well as government policies, could affect our business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For over three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be amended and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures, which may not necessarily have a positive effect on our business development and operations. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be over-heating, including the property industry. These measures have included restricting foreign investment in certain sectors of the property industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the property industry, and in turn have a material and adverse impact on our business, results of operations and financial condition.

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

On 3 February 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("**SAT Circular No. 698**"), previously issued by the State Administration of Taxation on 10 December 2009. SAT Circular No. 7, amended by the Announcement of the State Administration of Taxation on Matters Concerning Witholding of Income Tax of Non-resident Enterprises at 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》) and Decision of the State Administration of Taxation on Issuing the Lists of Invalid and Abolished Tax Departmental Rules and Taxation Normative Documents (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) on 2017 respectively, provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company (not including PRC resident company registered abroad) directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("**SARS**"), H5N1 or H7N9 avian flu, the human swine flu, also known as Influenza A (H1N1) or Ebola virus disease. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where we have operations, may result in material disruptions to our sales and marketing, which in turn may adversely affect our business, results of operations, financial condition and prospects.

It could be difficult to effect service of process or to enforce foreign judgements in the PRC

Since most of our assets and subsidiaries are located in the PRC, most of our Directors and senior management reside within the PRC, and the assets of our Directors and senior management may be located within the PRC, investors could encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and senior management. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A judgement of a court from a foreign jurisdiction could be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. Otherwise, recognition and enforcement in China of judgements of a court in any of this non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision could be difficult or impossible.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Offer Shares

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot guarantee that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payment to our Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from SAFE to convert the Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans and our business, results of operations and financial condition may be materially and adversely affected.

Fluctuation of the Renminbi may adversely affect our operations and financial results

The value of the Renminbi against the Hong Kong dollar and other foreign currencies is affected by, among other things, changes in the PRC's economic and political condition. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of currencies, determined by the PBOC, against which it could rise or fall by as much as 0.3% each day. On 21 May 2007, the PRC government further widened the daily trading band to 0.5%. Between 21 July 2005 and 31 December 2009, the Renminbi has appreciated significantly against the U.S. dollar. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the Renminbi more flexible, which increases the possibility of sharp fluctuations of the RMB's value in the near future and the unpredictability associated with the Renminbi's exchange rate. On 16 April 2012, the PRC government widened the daily trading band to 1%. On 17 March 2014 the PRC government further widened the daily trading band to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. The PBOC has also introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for the trading of Renminbi. Notwithstanding the above, there still remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant fluctuation in the value of the Renminbi against the Hong Kong dollar and other foreign currencies.

Since all of our revenues and expenses are denominated in Renminbi, fluctuations in exchange rates may adversely affect the value of our net assets and earnings. In particular, distributions to holders of our Offer Shares are made in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar may adversely affect the value of our distribution. In addition, any unfavorable movement in the exchange rate of the RMB against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, results of operations and financial condition.

If we are classified as a PRC "resident enterprise", holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares

Under the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), and its implementing regulations, an enterprise established outside China with its "*de facto* management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT Law's implementation regulations define the term "*de facto* management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise."

As almost all of our Directors and senior management members are based in the PRC, it remains unclear as to how the tax residency rule will apply to our case. As the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the EIT Law and its implementing regulations, foreign corporate shareholders of a PRC resident enterprise will be subject to a 10% (Individual: 20%) withholding tax upon dividends received from the PRC resident enterprise and on gain recognised with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% (Individual: 20%) withholding tax upon dividends.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR OFFER SHARES

There has been no prior public market for our Offer Shares and an active or liquid market for our Offer Shares may never develop

Prior to the Global Offering, there has been no public market for our Offer Shares and an active or liquid market for the Offer Shares may never develop or be sustained after the Global Offering. Listing and quotation does not guarantee that a trading market for the Offer Shares will develop or, if a market does develop, the liquidity of that market.

You may experience dilution if we issue additional Shares in the future

The Offer Price of the Shares is lower than the net tangible asset value per Share immediately prior to the Global Offering. Nevertheless, if we issue additional Shares or equity-linked securities in the future and such Shares are issued at a price lower than the net tangible asset value per Share at the time of their issuance, you and other purchasers of our Shares may experience dilution in the net tangible asset value per Share.

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, which is expected to be on or around 30 October 2019 but in any event no later than 6 November 2019. However, the Offer Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on 8 November 2019. Investors may not be able to sell or otherwise deal in our Shares during this period. Accordingly, holders of our Shares are subject to the risk that the prices of our Shares could fall before trading begins and could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the Price Determination Date and the Listing Date.

You may experience difficulties in protecting your interests because we are a Cayman Islands exempted company with limited liability and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions

We are a Cayman Islands exempted company with limited liability and our corporate affairs are governed by the Cayman Companies Law and other laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — 3. Cayman Islands Company Law" in Appendix IV to this prospectus for further information.

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

A majority of our Directors and senior management members reside in China, and substantially all of our assets and the assets of such persons are believed to be located in China. Therefore, it may be difficult for investors to effect service of process upon those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The market price of the Offer Shares may decline after the Global Offering

The Offer Price of our Offer Shares was the result of negotiations between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and may not be indicative of the market price for the Offer Shares following completion of the Global Offering. The Offer Shares may trade at market prices significantly below the Offer Price after the Global Offering. Furthermore, the price and trading volume of our Offer Shares may be volatile.

The market price of the Offer Shares will depend on many factors, including but not limited to:

- actual or anticipated fluctuations in our revenue and results of operation;
- 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 or projections;
- potential litigation or regulatory investigations;
- the perceived prospects of our business and the property industries in the PRC;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Offer Shares or sales or perceived sales of additional Offer Shares by us or our Shareholders.

For these reasons, among others, the Offer Shares may trade at prices that are higher or lower than the Offer Price. Moreover, the securities markets generally have, from time to time, experienced significant price and volume fluctuations that are not related to the performance of particular industries or companies. These types of price volatility and fluctuations may also materially and adversely affect the market price of our Offer Shares.

Any sale or possible sale of substantial amounts of our Offer Shares, especially by our Controlling Shareholders or an issue of new Offer Shares by us may adversely affect the market price of our Offer Shares

Immediately following the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will beneficially own and control approximately 52.2% (or 50.3% if the Over-allotment Option is exercised in full) of the Shares in issue. If, following the expiry of its lock-up period, our Controlling Shareholders sell or are perceived as intending to sell a substantial portion of their interests in the Shares, the market price of the Offer Shares may be adversely affected. For details, see "Underwriting" in this prospectus.

We may also consider offering and issuing additional Offer Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible assets value per Offer Share if we issue additional Offer Shares in the future at a price which is lower than the net tangible assets value per Offer Share as of the time of such issuance of additional Offer Shares. In addition, the issuance of additional Offer Shares may cause a significant decrease in the market price of the Offer Shares.

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any material information has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Underwriters, any of their respective directors or any other party involved in the Global Offering and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus could be inaccurate or there is a risk that they are not comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

Forward-looking statements in this prospectus could prove inaccurate

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

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

There could be press articles, media coverage and/or research analyst reports regarding us and the Global Offering, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Global Offering that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. 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 accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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 with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and the bases and assumptions are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Global Offering is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Global Offering which is sponsored by the Sole Sponsor and managed by the Joint Global Coordinators. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information relating to the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Offer Price is currently expected to be not more than HK$1.10 per Share and not less than HK$0.90 per Share. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.xjsx.net.cn**.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) but in any event no later than 6 November 2019, the Global Offering will not become unconditional and will lapse.

An announcement of the level of indication of interest in the Global Offering and the basis of allocation of the Offer Shares is expected to be published on Thursday, 7 November 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.xjsx.net.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. 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 any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Global Offering.

The distribution of this prospectus and the offering of Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

For details of the structure and conditions of the Global Offering, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

APPLICATION FOR LISTING OF SHARES ON THE STOCK EXCHANGE

Application has been made to the Stock Exchange for the Listing of, and permission to deal in, the Shares, including the additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option.

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the Listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Global Offering, 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, then any allotment made on application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 375,000,000 Shares, representing 25% of the enlarged issued share capital of the Company, will be in the hands of the public immediately following completion of the Offering and upon the Listing, assuming none of the Over-allotment Options are exercised.

Subject to the Articles of Association, the Shares are freely transferable.

All Shares will be registered on the register of members of the Company in Hong Kong. Only the Shares registered on the register of members of the Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) at any time before 5:00 p.m. on the business day before the date of announcement of the results of applications and the basis of allotment of Offer Shares, otherwise it will lapse.

Further details with respect to the Over-allotment Option are set out in the section headed "Structure and Conditions of the Global Offering — Over-allotment Option" of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on the Listing Date under the stock code 3603. Shares will be traded in board lots of 3,000 each. Our company will not issue any temporary document of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of Listing of, and permission to deal in, the Shares on the Stock Exchange and the 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 HKSCC chooses. 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 the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasized that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Shares.

SHARE REGISTRAR AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar and transfer office, Appleby Global Services (Cayman) Limited, in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company's register of members to be maintained in Hong Kong by its Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Dealings of Shares registered in the register of members of the Company maintained by the Hong Kong Branch Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be sent by ordinary post at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: HK$ into US$ at the rate of HK$7.85 = US$1.00 and HK$ into RMB at the rate of HK$1.00 = RMB0.86. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK$ or US$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. At present, there will be no executive Directors ordinarily resident in Hong Kong after the Listing. The core business and operations of our Group are primarily located, managed and conducted in the PRC. The senior management of our Group is and will continue to be based in the PRC to attend to their respective duties. Further, as each of the executive Directors has a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Accordingly, we do not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

For the reasons set out above, our Directors consider that it would be practically difficult, unduly burdensome and not commercially feasible for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

(a) both of our Company's authorised representatives, Ms. Jin and Mr. Kam Chi Sing, will act as our principal channel of communication with the Stock Exchange. Mr. Kam Chi Sing is a Hong Kong permanent resident and Ms. Jin possesses valid travel documents and can readily travel to Hong Kong to meet with the Stock Exchange within a reasonable time upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and email, and are authorised to communicate on behalf of our Company with the Stock Exchange;

(b) both of the authorised representatives have means for contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and the Directors, our Company has implemented a policy whereby (i) each Director will provide his office phone numbers, mobile phone numbers, residential phone numbers, office facsimile numbers and email addresses to the authorised representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorised representatives when he or she travels; and (iii) all Directors will provide, if available, their mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange;

(c) our Company, in accordance with Rule 3A.19 of the Listing Rules, has appointed RaffAello Capital Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that RaffAello Capital Limited shall have access at all times to the authorised representatives, Directors and members of the senior management. Our Company will also procure that such persons provide promptly to RaffAello Capital Limited such information and assistance as it may need or may reasonably request in connection with the performance of the compliance adviser's duties as set forth in Chapter 3A of the Listing Rules. RaffAello Capital Limited will advise on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results and its annual report for the first full financial year following the Listing;

(d) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and

(e) each Director who does not ordinarily reside in Hong Kong has confirmed that either he or she possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange in Hong Kong within a reasonable period of time when required.

In these circumstances, our Company and the Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of our executive Directors and believe that the arrangements set out above are sufficient to maintain effective communication between our Company and the Stock Exchange. Our Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Cheung Hon Chuen (張漢泉)	303, Xinjicheng Club No. 250, Nanda Road Panyu District, Guangzhou City Guangdong Province the PRC* (中國廣東省廣州市番禺南大路250號 信基城會所303)	Chinese
Mei Zuoting (梅佐挺)	No. 5, Shibu Huayuan East Road Longjiang Town Shunde District, Foshan City Guangdong Province the PRC* (中國廣東省佛山市順德區龍江鎮 世埠花苑東路5號)	Chinese
Zhang Weixin (張偉新)	No. 19, Chenchongshang North Road Longjiang Town Shunde District, Foshan City Guangdong Province the PRC* (中國廣東省佛山市順德區龍江鎮 陳涌上北路19號)	Chinese
Jin Chunyan (靳春雁)	Room 705, Block 5 8 Xiancha Road Chancheng District, Foshan City Guangdong Province the PRC* (中國廣東省佛山市禪城區 仙槎路8號五座705房)	Chinese

Name	Address	Nationality
Non-executive Directors		
Yu Xuecong (余學聰)	Room 601, Building C Shunjing Garden No. 6 Furongxi 2nd Street Duanzhou 6th Road Duanzhou District, Zhaoqing City Guangdong Province the PRC* (中國廣東省肇慶市端州區端州六路 芙蓉西二街6號順景花苑C幢601房)	Chinese
Li Zhanpeng (黎展鵬)	Room 1501, Building 14 No. 283 Guangming North Road Panyu District, Guangzhou City Guangdong Province the PRC* (中國廣東省廣州市番禺區 光明北路283號十四幢1501房)	Chinese
Wu Jianxun (吳建勛)	Unit 2801, Block 4 Sunshine City 3rd District 33 Degui Road Gulou District, Fuzhou City Fujian Province the PRC* (中國福建省福州市鼓樓區 得貴路33號陽光城三區4座2801單元)	Chinese
Independent non-executive Directors		
Liu Eping (劉娥平)	Room 805 No. 637 Zhongda Puyuan Park Haizhu District, Guangzhou City the PRC* (中國廣州市海珠區中大蒲園區 637號805房)	Chinese

Name	Address	Nationality
Chen Tusheng (陳土勝)	Room 1003, Block 18, Ya Yue Ting Agile Garden, Nancun Town Panyu District, Guangzhou City Guangdong Province the PRC* (中國廣東省廣州市番禺區南村鎮 廣州雅居樂花園雅悅庭18座1003房)	Chinese
Tan Michael Zhen Shan (譚鎮山)	Flat F, 5/F, Oak Mansion Taikoo Shing 20 Tai Koo Wan Road Quarry Bay Hong Kong (香港太古灣島道20號太古城 紫樺閣5字樓F室)	Australian
Zheng Decheng (鄭德理)	Room 3001, 83 Dongsha Street Haizhu District, Guangzhou City the PRC* (中國廣州市海珠區東沙街83號3001房)	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	RaffAello Capital Limited Unit 1701, 17/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Global Coordinators	China Tonghai Securities Limited 18/F and 19/F, China Building 29 Queen's Road Central Hong Kong
	RaffAello Securities (HK) Limited Unit 1701, 17/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Joint Bookrunners	China Tonghai Securities Limited 18/F and 19/F, China Building 29 Queen's Road Central Hong Kong
	RaffAello Securities (HK) Limited Unit 1701, 17/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place, Central Hong Kong
Joint Lead Managers	China Tonghai Securities Limited 18/F and 19/F, China Building 29 Queen's Road Central Hong Kong
	RaffAello Securities (HK) Limited Unit 1701, 17/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place, Central Hong Kong
	Sorrento Securities Limited 11/F, The Wellington 198 Wellington Street, Central Hong Kong
	I Win Securities Limited Room 1916, Hong Kong Plaza 188 Connaught Road West Hong Kong
	Fortune (HK) Securities Limited 43/F, Cosco Tower 183 Queen's Road Central Hong Kong

	Lead Securities (HK) Limited Unit A, 23/F, The Wellington 198 Wellington Street, Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law* P. C. Woo & Co. 12/F, Prince's Building 10 Chater Road, Central, Hong Kong Mr. Leung Wai-Keung, Richard 38/F, Gloucester Tower The Landmark Central, Hong Kong *As to PRC law* King & Wood Mallesons 18th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC *As to PRC litigation law* Liaoning Kaiyu Law Firm Floor 5, Kaiyu Building, No.122, Youth street, Shenhe District, Shenyang, Liaoning Province *As to PRC trust law* Guangdong Hopesun Law Firm 8/F Agile Center No.26 Huaxia Road Zhujiang New Town Tianhe District Guangzhou, PRC *As to Cayman Islands law* Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong

Legal advisers to the Sponsor and Underwriters	*As to Hong Kong law* Kwok Yih & Chan Suites 2103–05, 21/F, 9 Queen's Road Central, Hong Kong *As to PRC law* Beijing Jingtian & Gongcheng Law Firm Unit 05–06, 16/F, China Resources Tower, No. 2666 Keyuan South Road, Nanshan District, Shenzhen, PRC
Reporting accountant and auditor	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Internal control consultant	RSM Consulting (Hong Kong) Limited 29/F., Lee Garden Two 28 Yun Ping Road, Causeway Bay Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, PRC
Compliance adviser	RaffAello Capital Limited Unit 1701, 17/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Property Valuer	AVISTA Valuation Advisory Limited 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai, Hong Kong
Receiving Bank	CMB Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

Registered office	71 Fort Street PO Box 500 George Town Grand Cayman KY1–1106 Cayman Islands
Headquarter and principal place of business in the PRC	1st Floor, Xinjicheng Club No.250, Intersection of Nanda Road Panyu District, Guangzhou the PRC
Principal place of business in Hong Kong	Rooms 301–303, 3/F Golden Gate Commercial Building 136–138 Austin Road Tsim Sha Tsui, Kowloon Hong Kong
Company's website	www.xjsx.net.cn *(information contained in this website does not form part of this prospectus)*
Company secretary	Mr. Kam Chi Sing (甘志成) *(CPA)*
Authorised representatives	Ms. Jin Chunyan (靳春雁) 1st Floor, Xinjicheng Club No.250, Intersection of Nanda Road Panyu District, Guangzhou the PRC Mr. Kam Chi Sing (甘志成) *(CPA)* Rooms 301–303, 3/F Golden Gate Commercial Building 136–138 Austin Road Tsim Sha Tsui, Kowloon Hong Kong
Audit Committee	Dr. Liu Eping (劉娥平) *(Chairman)* Mr. Zheng Decheng (鄭德理) Mr. Tan Michael Zhen Shan (譚鎮山)
Remuneration Committee	Dr. Liu Eping (劉娥平) *(Chairman)* Mr. Chen Tusheng (陳土勝) Mr. Cheung Hon Chuen (張漢泉)
Nomination Committee	Mr. Cheung Hon Chuen (張漢泉) *(Chairman)* Dr. Liu Eping (劉娥平) Mr. Chen Tusheng (陳土勝)

Principal bankers	**Guangzhou Rural Commercial Bank** Panyu Branch 72 Chaoyang West Road Panyu District Guangzhou PRC
	Shengjing Bank 109 Beizhan Road Shenyang PRC
Principal share registrar and transfer office in the Cayman Islands	**Appleby Global Services (Cayman) Limited** 71 Fort Street PO Box 500 George Town Grand Cayman KY1–1106 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

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

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

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the hospitality supplies sales and home supplies retail industries in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes wholesale and retail trades, consumer products, automotive and transportation, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

We commissioned Frost & Sullivan for a total fee of RMB1,105,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the F&S Report.

F&S REPORT

Our Company has included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of the municipal cleaning industry with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research databases.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports:

- China's economy shall maintain steady growth in the next decade;
- China's social, economic, and political environment shall remain stable during the forecast period; and
- Market drivers such as increasing disposable income, growing tourism industry, upgrading of hotel industry shall drive hospitality supplies sales market and home supplies retail market.

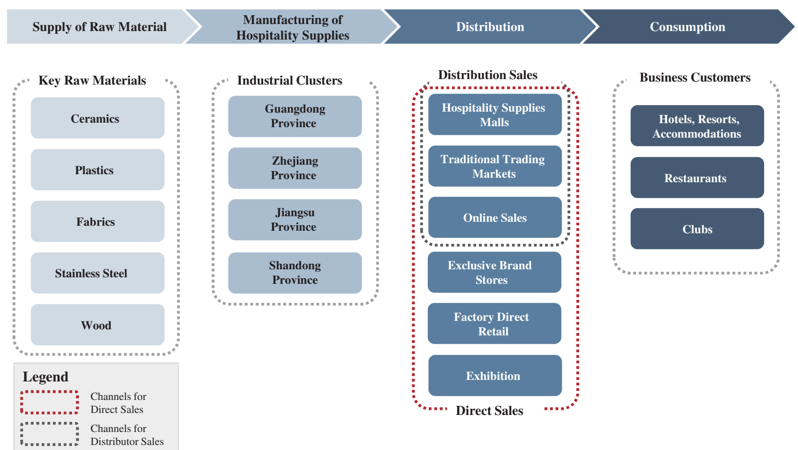
OVERVIEW OF THE HOSPITALITY SUPPLIES SALES MARKET IN CHINA

Definition and Classification of Hospitality Supplies

Hospitality supplies are a collection of products that meet the needs of hotels, restaurants and clubs' operation.

Hospitality supplies can be primarily classified into eight categories according to the usage scenarios and product types, including hotel room supplies and appliances, hotel lobby supplies, restaurant and kitchen equipment and supplies, fitness & recreation equipment and supplies, hotel linen and textile products, hotel furnitures, hotel intelligent control and lighting products, and hotel cleaning equipment supplies, etc.

Value Chain of Hospitality Supplies Sales Market



Source: Frost & Sullivan

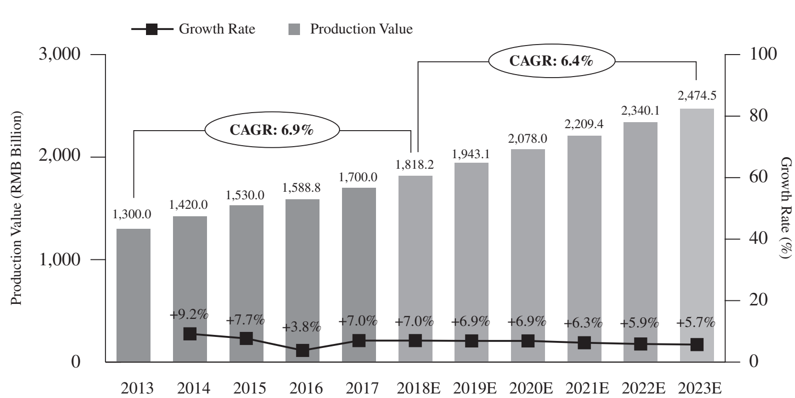
Production Value of Hospitality Supplies Market

Hospitality supplies are widely used in the downstream industries, such as hotels and accommodations, restaurants, clubs, etc. In 2018, there were over 17,000 hospitality supplies manufacturers in China, which was larger than the number of home supplies manufacturers.

Thanks to the rising disposable income, rapid growth of downstream industries such as tourism, hotels, restaurants, and consumption upgrading, China's hospitality supplies market has experienced steady growth pace during the past years. According to China Hotel Supplies Association, the production value of hospitality supplies reached approximately RMB1,818.2 billion in 2018, representing a CAGR of 6.9% from 2013 to 2018.

Going forward, with the steady growth of China's macro economy, China's hospitality supplies market is still expected to maintain an upward momentum. According to Frost & Sullivan, China's hospitality supplies market is expected to follow the macro trend and increase with a CAGR of 6.4% from 2018 to 2023.

Production Value of Hospitality Supplies Market (China), 2013 – 2023E



Source: China Hotel Supplies Association; Frost & Sullivan

Key Growth Drivers of Hospitality Supplies Sales Market

The growth of the hospitality supplies sales market in China is primarily driven by, among others, the following factors:

GDP and Income Growth

Economic and national income growth are key drivers of consumption including expenditures on tourism, which has a positive correlation with hotel supplies consumption. From 2013 to 2018, China's urban households have experienced a CAGR of 7.8% in disposable income, which has boosted demand for goods and services, including those that are travel and leisure related. As income levels continue to rise, demand for improving customer experience will continue to boost demand for various hospitality supplies.

Tourism Industry Continues to Grow

China's tourism industry registered steady and rapid growth from 2013 to 2018 in terms of both the number of tourism visits and tourism revenue, realized CAGRs of 10.9% and 15.2%, respectively, during the same period. To cater for the growing demand for the domestic and international tourism, the number of hotels, resorts, and other accommodations is likely to expand further in the future, thus drive the growth of China's hospitality supplies market in the next several years.

Rapid Development in Restaurant Industry

One of the hospitality supplies demanders is the fast-growing restaurant industry in recent years. With the constant changes in consumer preferences, the restaurant industry has a large number of new stores opening every day. Newly opened restaurants generally allocate three sets of linen per table and a corresponding number of cutlery and porcelain. Moreover, existing restaurants, in addition to supplement losses every year, are also rapidly updating their products and environment to increase their competitiveness.

Diversified Distribution Channels

In addition to the traditional channels such as factory direct sales and exclusive branded stores, diversified distribution channels which provide one-stop and convenient shopping experience have been developed rapidly during last ten years, including hospitality supplies mall, online sales, and exhibitions. Currently, leading brands and manufacturers are expanding their distribution channels via setting up counters in hospitality supplies mall, opening official online stores or cooperating with leading online platforms to sell their products. This trend is likely to become a driver for growth in China's hospitality supplies market.

Great Effect of Industrial Cluster

Guangdong Province has been the most vital region in the production and distribution of China's hospitality supplies market, and contributed approximately 40% of the overall hospitality supplies market in terms of production value in 2018. Domestic leading hospitality supplies manufacturers are mainly located in Guangdong Province, Jiangsu and Zhejiang Provinces, and Shandong Province, etc. The industrial cluster of hospitality supplies led to great effects including lower labor costs, increased productivity, and higher market concentration in the long future.

Entry Barriers of Hospitality Supplies Sales Market

Relationship with Suppliers and Distributors

The number and quality of hospitality supplies brands and distributors, or scale effects are the main attraction for customers. Successful hospitality supplies malls usually operate large-scale shopping malls with hundreds of brands, suppliers, and distributors. As a result, a hospitality supplier with larger shopping mall and good reputation has stronger bargaining power and is more attractive to suppliers and buyers.

Limited Suitable Large Sites

Hospitality supplies market needs relatively large premise to house different product categories. Locations of hospitality supplies market also need to be close to industrial clusters and easily approached by the customers. Moreover, the economic development of the area where the market is located will affect the expenditure level in the market. Therefore, within the reach of customers, such large premises are very limited. It is difficult for new entrants to find such premises to build new hospitality supplies malls or traditional trading markets.

Brand Reputation

Brand reputation is an important factor to the hospitality supplies market. Most consumers prefer better recognized hospitality supplies market over less well-known market. In addition, well-known market also attracts renowned merchants to entry. A well brand reputation relies on years of management and accumulation thus the brand reputation of a seasoned player built over the years cannot be easily caught up by a new participant even if the latter spends heavily on advertisement.

Operation Experiences and Management Capability

The operation and management of the hospitality supplies market is a complex business. A completed management system needs professional management personnel who have combined product technology, management expertise, modern marketing techniques, logistics information management and other expertise. New participants in the hospitality supplies industry face a steep learning curve that is sometimes impossible to conquer.

Opportunities and Challenges of Hospitality Supplies Sales Market

Tourism Industry Brings "Industry Dividend"

The upstream hospitality supplies industry will continue to benefit from the constant expansion of the structure optimization of hotel and restaurant market. In the future, based on the continuous expansion of the overall market, the demand for mid-end and high-end hospitality supplies will continue to increase. The market offering mid to high-end hospitality supplies is more likely to grasp higher market share.

Synergy with the Home Supplies Market

With the continuous development of the "hotel supplies homely" trend, hospitality supplies will have more individual and family consumers. Therefore, the combination of the hospitality supplies market and the home supplies market has a strong synergy, the brand effect of a famous hospitality supplies market will increase the awareness of the home supplies market, and the home supplies market will provide a greater customer flow for the hospitality supplies store.

Fierce Competitive Environment

With the expansion of hospitality supplies industry, the competition in the hospitality supplies market is becoming increasingly fierce. As more professional hospitality supplies participants entry the industry, traditional wholesale market participants will be gradually driven out of market. Meanwhile, market participants with higher resource integration capabilities, commercial operating capabilities and sufficient capital will have greater competitiveness.

HOSPITALITY SUPPLIES MARKET DEMAND ANALYSIS IN THE NEW MARKETS

The hospitality supplies have been widely used in downstream industries, including tourism industry, hospitality industry and catering industry as follows:

Tourism Industry

Chengdu is the provincial capital of Sichuan province in Southwest China, as well as a major city in Western China. Thanks to the continuous and successful industrial transformation and upgrading, Chengdu's nominal GDP reached RMB1,534.3 billion in 2018, ranked 8th among prefecture-level cities in China. The per capita annual disposable income in Chengdu increased from RMB24,771 in 2013 to RMB36,754 in 2018, with a CAGR of 8.2%. With the growth of people's consumption level, the total retail sales of consumer goods in Chengdu increased from RMB375.3 billion in 2013 to RMB680.2 billion in 2018, with a CAGR of 12.6%. In addition, the natural human tourism resources and a leisure living environment make Chengdu tourism unique and charming, attracting tourists at home and abroad. The city is a popular global tourism destination with comprehensive urban infrastructure and facilities. The total tourism revenue of Chengdu has increased from RMB128.5 billion in 2013 to RMB371.3 billion in 2018, with a CAGR of 23.6%. It is expected that the total tourism revenue of Chengdu will grow to RMB656.0 billion in 2023, representing a CAGR of 12.1%. In 2017, Chengdu unveiled "13th Five Year Plan of Chengdu for the Development of Tourism Industry" (成都市旅遊業發展「十三五」規劃), with the purpose of further promoting the development of tourism industry. Such a fast-developing tourism industry in Chengdu is likely to increase the demand for hospitality supplies, and thus drive the development of hospitality supplies distribution market.

Zhengzhou, the provincial capital of Henan province as well as a major city in Central China, has turned into an international hub connecting Europe and Asia and a thriving national central city under progress, by taking advantage of its favorable location as a logistics hub and overall planning of aerial, land and online silk roads. The nominal GDP and the per capita annual disposable income in Zhengzhou reached RMB1,014.3 billion and RMB33,105 in 2018, representing CAGRs of 10.3% and 8.1% from 2013, respectively. Thanks to the growth of people's consumption level, the total retail sales of consumer goods of Zhengzhou increased from RMB258.6 billion in 2013 to RMB426.8 billion in 2018, with a CAGR of 10.5%. In addition, as a national historical and cultural city in China, Zhengzhou attracts tourists at home and abroad. The total tourism revenue of Zhengzhou has increased from RMB80.0 billion in 2013 to RMB138.7 billion in 2018, with a CAGR of 11.6%. It is expected that the total tourism revenue of Zhengzhou will grow to RMB202.4 billion in 2023, representing a CAGR of 7.8%. In 2018, Zhengzhou unveiled "Zhengzhou Tourism Industry Transformation and Upgrading Action Plan (2018–2020)" (《鄭州市旅遊產業轉型升級行動方案(2018-2020年)》), with the purpose of transformation and upgrading of tourism industry. In the future, the growth of demand for hospitality supplies in Zhengzhou is expected to continue, which drive the development of hospitality supplies distribution market.

Fuzhou is the provincial capital of Fujian province with a long history. As one of China's Free Trade Areas, Fujian has developed rapidly in recent years with its GDP increasing from RMB467.9 billion in 2013 to RMB785.7 billion in 2018, representing a CAGR of 10.9%, which is higher than the national growth. In the future, the nominal GDP of Fuzhou will further increase to RMB1,222.3 billion, with a CAGR of 9.2% by 2023. The total tourism revenue of Fuzhou has increased from RMB40.3 billion in 2013 to RMB117.0 billion in 2018, with a CAGR of 23.8%. It is expected that the total tourism revenue of Fuzhou will grow to RMB224.5 billion in 2023, representing a CAGR of 13.9%. Moreover, there are various operators of tourism market in Fuzhou, including accommodation operators, transportation operators, tourism-related entertainment operators, etc., and the competition is fierce. Moreover, the Fujian Provincial Government has issued "The Construction Plan for the Core Area of the 21st Century Maritime Silk Road" (《福建省21世紀海上絲綢之路核心區建設方案》), claiming that Fuzhou is a strategic and core hub of the Maritime Silk Road. The strong support from government will further promote the opening-up and economic trade exchanges of Fuzhou, thus promoting the development of the hospitality and home supplies industry in Fuzhou.

Such advantages, coupled with the national ‘‘going out’’ *(Note 1)* and ‘‘bringing in’’ *(Note 2)* strategy, are expected to help promote Fujian’s international exchange initiatives, as well as to facilitate greater cooperation with the countries along the Maritime Silk Road, which can promote the hospitality supplies industry in Fuzhou. The specific measures include:

(i) actively working with Southeast, South, and West Asia countries along the Maritime Silk Road in developing tourism cooperation including marine tourism routes, high-quality tourism products, mechanisms for tourism information sharing to promote the investment in the hotel industry and catering industry, so as to drive the growth of hospitality suppliers industry in Fuzhou;

(ii) strengthening the cooperation with ASEAN countries in the construction and management of facilities such as ports, logistics parks and cargo distribution centers and expanding the international trade and cooperation. Fujian province is home to ports forming China’s Southeast International Shipping Centre. As such, Fujian is striving to cement closer ties with the ASEAN countries, the Middle East and countries along the coast of the Indian Ocean in the hope of further expanding investment and trade in these regions. China will strengthen port construction in coastal cities, such as Fuzhou, Xiamen and Quanzhou in Fujian and in other provinces, which will effectively attract more foreign customers to purchase hospitality supplies in Fuzhou and promote the export of Fuzhou’s hospitality supplies;

(iii) promoting the construction of a cross-border optical fibre telecommunications network and cross-border e-commerce and logistics information platforms for trade with ASEAN countries; and

(iv) accelerating the construction and utilization of the Fujian Commodity City outlets in Krasnodar of Russia, Poland and other countries, and guiding enterprises in ‘‘going out’’.

Notes:

1. The ‘‘Go Out Policy’’ is an effort initiated in the 1990s to encourage Chinese enterprises to invest overseas. The Chinese government is currently undergoing an initiative that encourages Chinese enterprises to ‘‘Go Out’’ and to invest in overseas expansion.

2. On the other hand, China has been successful in attracting foreign investment and building up its own industrial export and domestic market capacities (‘‘Bring In Policy’’). The combination of internal reforms and international demand led to a rapid development in China’s economy in the past.

Hospitality Industry

The hospitality industry is stimulated by the development of tourism industry, which in return drives the hospitality supplies market. The major customers of the hospitality supplies industry are the new hotel operators, as well as a number of experienced hotel operators who have the need to upgrade hospitality items to attract consumers with higher demand and living standard.

Mid-to-high end hotels include five-star and four-star hotels rated by the Ministry of Culture and Tourism, as well as those hotels that basically meet the five-star and four-star rating standard without application for the rating. In 2018, the number of mid-to-high end hotels in Chengdu, Zhengzhou and Fuzhou reached 667, 187, and 110, respectively, with CAGRs of approximately 8.2%, 6.0% and 4.1% from 2013, respectively, which was mainly due to consumption upgrading and rapid development of tourism market. In 2018, the number of five-star and four-star hotels in Chengdu, Zhengzhou and Fuzhou reached approximately 51, 14, and 24, respectively. The number of mid-to-high end hotels witnessed a faster growth than the number of five-star and four-star hotels, for the long evaluation process and high hardware requirements of star rating system. In Chengdu, the number of five-star and four-star hotels has increased from 46 in 2013 to 51 in 2018 with a CAGR of 2.1%, and it is expected to further reach 56 in 2023 with a CAGR of 1.5%. Zhengzhou, a major city in Central China, has also seen a steady rise in the number of five-star and four-star hotels, increased from 11 in 2013 to 14 in 2018 with a CAGR of 4.3%, and it is expected to increase to 19 in 2023 with a CAGR of 4.0%. Although the number of five-star and four-star hotels remained quite stable in Fuzhou from 2013 to 2018, it is expected to increase from 24 in 2018 to 27 in 2023 with a CAGR of 2.2%.

The purchase cycle of hotel operators varies depending on the product types and scale of operators. Generally, the daily supplies, such as disposable products, ceramic tableware, glassware, for five-star hotels as well as four-star and below hotels are replenished weekly as well as biweekly or monthly, respectively; while large procurement, such as kitchen suppliers, utensils, textiles, are replenished semi-annually.

Thanks to the increasing prevalence of home-staying websites in China, the Bed-and-Breakfast Inns market experienced rapid growth in the last few years. Compared to traditional hotels, Bed-and-Breakfast Inns can better meet the personalized needs of tourists and pursue local characteristics with an affordable price. In the future, as the government support for all-for-one tourism *(Note 1)* and rural tourism *(Note 2)* continues to prosper, the development of mobile internet technology continues to enhance the experience of tourists.

The public's acceptance of Bed-and-Bread Inns and their willingness to consume will continue to increase. From 2018 to 2023, the number of Bed-and-Bread Inns in China is expected to grow at a CAGR of 16.6%. The increase in the number of Bed-and-Bread Inns will boost the demand for hospitality supplies and benefit the hotel supplies shopping mall industry accordingly.

The popularity of tourist destinations is positively correlated with the number of Bed-and-Bread Inns. Chengdu, which is famous for its developed tourism, is one of the hot destinations in China. As the number of tourists in Chengdu increases and tourists' acceptance of Bed-and-bread Inns continues to improve, the number of Bed-and-bread Inns in Chengdu reached approximately 10,000 in 2018, and is expected to grow at a CAGR of approximately 25.0% from 2018 to 2023 *(Note 3)*.

Notes:

1. All-for-one tourism is a new regional harmonious development idea and mode, which calls for optimizing and enhancing related industry, such as ecological environment, public service and civilized quality, in the manner of integrating all tourism related resources within a certain area, so as to promote coordinated economic and social development.

2. Rural tourism is a type of leisure tourism that takes rural communities as activity places and focuses on actively participating in a rural lifestyle. Rural tourism contributes to the realization of rural revitalization and promotes the development of rural economy.

3. The CAGRs of the number of Bed-and-bread Inns in Zhengzhou and Fuzhou are not available.

Catering Industry

Restaurant operators need to purchase various types of restaurant and kitchen equipment and supplies, such as tableware, porcelain, professional kitchen equipment, etc. Not only compete on cuisine and taste, but also on the overall decoration and environment and to cater for customers' rising demand. Therefore, the development of local catering industry will increase the demand for hospitality supplies and thus drive the development of hospitality supplies distribution market. Thanks to the increasing per capita disposable income, rising urbanization process, and increasing dining-out preference, the revenue of catering service market has increased rapidly in the past few years. And the trend is expected to remain stable in the future. As a city famous for its fine food, Chengdu's catering service industry has maintained rapid development. The revenue of catering service market in Chengdu has grown at a CAGR of 13.5% from 2013 to 2018 and reached RMB90.0 billion in 2018, and is expected to reach RMB161.2 billion in 2023 with a CAGR of 12.4% from 2018 to 2023. In Zhengzhou, the revenue of catering service market has increased from RMB38.2 billion in 2013 to RMB63.8 billion in 2018 with a CAGR of 10.8%, and is expected to further reach RMB108.7 billion in 2023 with a CAGR of 11.2%. Fuzhou's revenue of catering service market has also achieved steadily growth, from RMB28.4 billion in 2013 to RMB43.8 billion in 2018 with a CAGR of 9.0%, and is expected to reach RMB62.5 billion in 2023 with a CAGR of 7.4%. The catering market in Fuzhou is highly fragmented with a large number of players. Restaurants in Fuzhou mainly compete on flavor of dishes, quality of services, location, and brand reputation.

OVERVIEW OF THE HOME SUPPLIES SALES MARKET IN CHINA

Definition and Classification of Home Supplies

Home supplies cover an extensive range of product categories, such as furniture, building ceramics, lightings, floorings, coatings, wall finish, hardware and electrical equipment, kitchen and bathroom furnishings, home textiles, and decorative items.

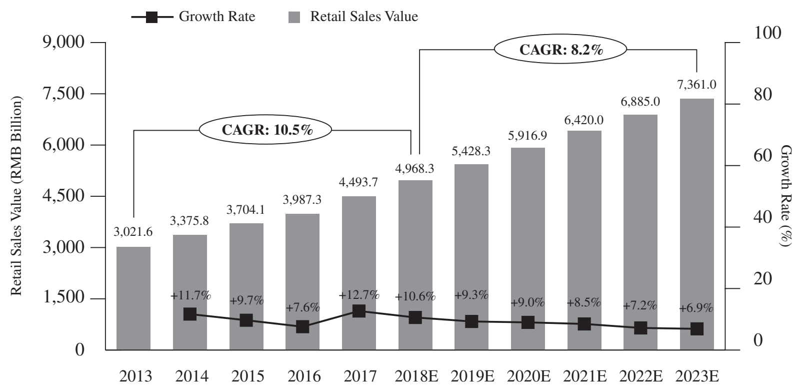
These product categories are primarily classified into two major classes, which are furniture and home decorations, with furniture, decorative items, and home textiles in scope, and light building materials which take into account all others.

Market Size and Growth

In line with the rising disposable income, the improving living standards of Chinese people as well as the rapid urbanization, China's Home Supplies market has experienced a fast growth pace during the past years. According to Frost & Sullivan, China's home supplies market recorded a total retail sales of approximately RMB4,968.3 billion by 2018, representing a CAGR of 10.5% during the period from 2013 to 2018. In 2018, there were over 14,000 home improvement and home supplies manufacturers in China, most of them located along coastal export hubs.

Going forward, with the steady growth of China's macro economy, China's home supplies market is still expected to maintain an upward momentum. According to Frost & Sullivan, China's home supplies market is also expected to follow the macro trend and increase with a CAGR of 8.2% from 2018 to 2023.

Retail Sales Value of Home Supplies Market (China), 2013 – 2023E



Source: Frost & Sullivan

In most cases, home supplies were directly sold to end consumers via diverse retail terminals such as home supplies malls, exclusive brand stores, department stores, supermarkets, traditional trading markets, online sales, etc. Among those, home supplies malls are a very major and critical retail channel for the home supplies industry.

In line with the overall home improvement market, China's home supplies mall market has also witnessed a rapid growth in the past years. From 2013 to 2018, home supplies mall market increased from RMB1,386.8 billion to RMB1,847.3 billion in terms of retail sales value, realizing a CAGR of 5.9% during the period.

Benefiting from upgrading needs to purchase quality home improvement products and expected steady growth in China's overall home improvement market, the size of the average bill for customers at furniture malls is also increasing, home supplies mall market is forecasted to maintain a steady growth pace with a CAGR of approximately 6.6% and amounted to RMB2,540.0 billion by 2023.

Key Growth Drivers of Home Supplies Sales Market

The growth of the home supplies sales market in China is primarily driven by, among others, the following factors:

Increasing housing and home supplies demand

Along with the increasing prosperity, the accelerated urbanization, and the developments of the tourism industry, a sustainable growth of home supplies market is expected. The increasing prosperity and the accelerated urbanization provide the basis for the development of China's tourism industry, which stimulated the development of home supplies market. The services of China's tourism industry is upgrading from unity to customization, traditional accommodation with invariable and similar decoration styles can no longer meet the changing needs of consumers. Therefore, homestay, boutique hotels and other types of tourism accommodation are developing rapidly. In order to attract customers who pursue personalized and premium services, various accommodations propose the increasing demand for housing and home supplies not only reflected in the increase of purchase volume, but also reflected in the improvement of product quality requirements. Normally, home owners refurnish their houses and apartments every 6 to 8 years. Furthermore, housing demand is stimulated by many local governments' ease on property restrictions and establishment of affordable housing regimes.

People's higher demand for quality, comfort, and convenience

China's home supplies market is expected to well benefit from the people who are more educated, environmentally aware, and have good purchasing power. Furthermore, their generally fast pace of life is expected to drive the growing demand for greater consumer convenience, such as the popularity of one-stop shopping with fitting and delivery arrangements and online sales.

Stronger need on customized home supplies due to consumption upgrade

The increase of residents' disposable income boosted consumption upgrade and there are significant changes in the consumption structure of Chinese market, which consumers are willing to buy personalized, customized and high quality products.

Channel development and better reach to the vast consumer base

As with the increasing purchasing power of consumers in lower tier cities and towns, more high-end Home Supplies manufacturers and distributors are expanding their channels to better cover these growing markets. Home supplies malls, as the major retail channel, grow rapidly in lower tier cities. Meanwhile, the importance of online sales for home supplies products is rising, creating better reach for both supply and demand sides.

Entry Barriers of Home Supplies Retail Market

Investment Requirement

Home supplies retail industry, as a segment of home supplies industry, is a capital-intensive industry. Land purchase or lease, mall's construction and renovation promotion and operations require substantial initial investment. In addition, in order to gain the competitiveness, investment for expansion of network is also a large cost. High requirement of capital is one of the major entry barriers.

Scale Effects and Bargaining Power

Home supplies retail model significantly relies on scale effects. Home supplies merchants prefer to choose large home supplies retailers as a distribution channel. As a result, a home supplies retailer operator with more and larger shopping malls has stronger bargaining power to negotiate with home supplies merchants.

Operation Experiences and Management Capability

The operation and management of the home supplies shopping malls is a complex business. A complete management system needs professional management personnel who have combined product technology, management expertise, modern marketing techniques, logistics information management and other expertise. New participants in the home supplies retail industry face a steep learning curve that is sometimes impossible to conquer.

Brand Reputation

A well brand reputation relies on years of management and accumulation thus the brand reputation of a seasoned player built over the years cannot be easily caught up by a new participant even if the latter spends heavily on advertisement.

Opportunities and Challenges of Home Supplies Retail Market

Investment in Online Shopping Mall

E-commerce model becomes an important business model in recent years which, combined with online and offline shopping mall is likely to bring a higher retail revenue and volume for the home supplies retailers. Moreover, this model can also enhance brand image and increase consumers' attention rate.

Provide Multifunctional Services

Currently most home supplies retailers only provide limited home supplies products. More kinds of services like decoration design, construction and repair are likely to bring the new growth point for the home supplies retailers.

Aging Population

With the large population base and the existence of one-child policy previously, China's population has been aging rapidly. It is expected that starting from 2017 the pace will further accelerate, and by 2020 residents of 60 years old and above will constitute 17.8% of the total population in China. In the long run, with less young population, the home supplies demand will decrease, which restricts the growth of China's home supplies market.

Major Cost

The major raw materials for hospitality supplies and home supplies include plastics, stainless steel, fabric, wood, etc.

The plastic price index has slightly decreased from 1,010.0 in 2013 to 799.6 in 2015, and then recovered gradually to 962.0 in 2018 due to the extensive use of plastics in various products such as hospitality supplies.

The stainless steel products are widely used for making cabinet products, edible utensils and other hospitality supplies thanks to the characteristics of corrosion resistance, heat resistance, and cleaning features. Compared with the price index of plastic, the stainless steel price index is quite stable, and increased slightly from 82.0 in 2013 to 105.5 in 2018.

The price index of textile material declined slightly from 101.6 in 2013 to 100.0 in 2018, while the price index of timber increased steadily from 116.9 in 2013 to 124.1 in 2018 due to the decreasing forest area, the rising labor costs, and the rigid demand from home supplies market.

The average annual labor price in the wholesale and retail trades industry increased from RMB50,308 in 2013 to approximately RMB76,500 in 2018, representing a CAGR of 8.7% from 2013 to 2018.

Trend of Monthly Average Rent for Retail Premises in Guangzhou and Shenyang

Guangzhou

From 2013 to 2018, the average monthly rent of retail premises in Guangzhou increased at a CAGR of 1.8%. From 2013 to 2015, thanks to the increase in population density and the progress of urbanization, the monthly average rent for retail premises in Guangzhou increased steadily. In 2016, affected by the fierce competition in the Guangzhou retail market and the strong development of online shopping, the monthly average rent of retail properties in Guangzhou decreased slightly. However, the impact was quickly benefited from the upgrading and restructuring of the retail market. The monthly average rent for retail premises in Guangzhou has grown steadily since 2017. In the future, it is expected that with the organic combination of online and offline retail markets and the continued rapid development of retail market, the monthly average rent for retail premises in Guangzhou is expected to grow at a CAGR of 1.7% from 2018 to 2023.

Shenyang

The monthly average rent for retail premises in Shenyang experienced a slight decline from 2013 to 2016, partially influenced by the increasing vacancy rate of retail premises and fierce competitive environment. While benefiting from the steady growth of total retail sales of consumer goods, the monthly average rent has shown a gradually recovery and began to increase from the second half of 2017. Looking forward, the monthly average rental for Shenyang's retail premises will gradually and steadily increase at a CAGR ranging from 0.5% to 1.0% and more premium malls will start to operate, attracting consumers with higher consumption power.

Rental and Management Service Fees for Hospitality Supplies Shopping Malls

The monthly average rent for retail premises in Chengdu experienced a slight decline from 2016 to 2017, partially influenced by the rising vacancy rate caused by the opening of suburban shopping premises. Thanks to the rapid development of the economy, the vacancy rate of shopping premises has decreased, the monthly average rent has shown a gradually recovery and began to increase since 2018. Looking forward, the monthly average rental for Chengdu's retail premises is expected to realize a steady increase at a CAGR ranging from 1.5% to 2.0% by 2023. The management service fees for hospitality supplies shopping malls in Chengdu are relatively stable, with CAGR of less than 1.0% in the forecast period.

The monthly average rent for retail premises in Zhengzhou experienced a slight decline from 2017 to 2018, partially influenced by the performance downward pressure of traditional retail premises and fierce competitive environment. Benefiting from the renovation and upgrading of traditional retail premises, the monthly average rent is expected to show a slight recovery in the future. Looking forward, the monthly average rental for Zhengzhou's retail premises is expected to realize a CAGR of approximately 1.0% by 2023. The management service fees for hospitality supplies shopping malls in Zhengzhou are relatively stable, with CAGR of less than 1.0% in the forecast period.

The monthly average rent for retail premises in Fuzhou experienced a steady growth from 2013 to 2018, with a CAGR of 3.1%. Looking forward, benefiting from the growth of total retail sales of consumer goods in Fuzhou, the monthly average rent is expected to show an increase with a CAGR of approximately 2.0%. The management service fees for hospitality supplies shopping malls in Fuzhou are relatively stable, with CAGR of less than 1.0% in the forecast period.

Government Policies and Regulations

The PRC government's key policies on hospitality supplies sales market and home supplies retail market include the following:

- The 13th Five-Year Plan in Tourism Industry (《"十三五"旅遊業發展規劃》) promulgated by the State Council, effective from December 2016. It proposes that the number of tourists from urban and rural areas will increase at a CAGR of approximately 10%, while the total tourism revenue will increase at a faster CAGR of above 11%. The plan is expected to accelerate the development of tourism industry including consumer popularity, quality demand, international competition, and global development, as well as encourage innovations.
- Guiding Opinions on Speeding up the Producer Service Industry to Promote Industrial Restructuring and Upgrading (《關於加快發展生產性服務業促進產業結構調整升級的指導意見》) promulgated by the State Council, effective from July 2014. The Opinions specify that the development of producer services in China will focus on the research and design, third-party logistics, financial leasing, information technology services, energy conservation and environmental protection services, verification, testing and certification services, electronic commerce, business consulting, service outsourcing, after-sales services, human resource services, and brand building with the corresponding policies and measures in place.
- The 13th Five-Year Plan in Furniture Industry (《中國家具行業「十三五」發展規劃》) promulgated by China National Furniture Association, effective from March 2016. The plan emphasizes on improving the R&D investment and promoting the coordinated development of furniture malls.

Competitive Landscape

(A) Hospitality Supplies Sales Market

The hospitality supplies sales market in China is highly competitive.

In 2018, there are approximately hundreds hospitality supplies malls in China. The Group is the largest hospitality supplies mall in terms of operating areas as well as rental revenue of hospitality supplies in China in 2018.

The following table sets forth the major players in the market in China:

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Malls *(Thousand sq.m.)*	Rental Revenue *(RMB million)*
1	The Group	181.9	203.7
2	Company A	120.0	87.6
3	Company B	87.5	21.5
4	Company C	84.0	41.2
5	Company D	78.5	98.9
	Top 5	**551.9**	**452.9**

Source: Frost & Sullivan

The hospitality supplies sale market in Guangdong Province is quite concentrated. In 2018, there are approximately 10 to 20 hospitality supplies malls in Guangdong Province. The Group is the largest hospitality supplies malls in terms of operating areas of hospitality supplies in Guangdong Province in 2018. The top five players of hospitality supplies mall market together occupied an aggregate market share of approximately 70.0% in terms of operating areas in Guangdong Province.

The following table sets forth the major players in the market in the Guangdong Province:

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	The Group	133.0	25.1%
2	Company D	78.5	14.8%
3	Company E	64.0	12.1%
4	Company F	60.0	11.4%
5	Company G	35.0	6.6%
	Top 5	**370.5**	**70.0%**
	Total	**529.2**	**100.0%**

Source: Frost & Sullivan

Professional hospitality supplies shopping mall is a modern shopping center that focusing on hotel supplies only in a relatively large place, usually with an operating area of no less than 40 thousand sq.m. Non-professional hospitality supplies sales mall is a shopping center that sale hotel supplies and other related supplies such as kitchenware and hardware items in a relatively large place. Small and medium-sized hospitality supplies sales mall is a shopping center that sale hotel supplies and other related supplies in a small place, usually with an operating area of less than 40 thousand sq.m..

The hospitality supplies sales market in Guangzhou is highly concentrated. In 2018, there are three major hospitality supplies sales malls in Guangzhou. The Group is the largest hospitality supplies mall in terms of operating areas in Guangzhou, with a market share of approximately 48.6% in 2018. Other competitors, including a professional hospitality supplies sales mall and a small and medium-sized mall, occupied market shares of 28.7%, 12.7%, respectively, in terms of operating areas of hospitality supplies malls in Guangzhou.

The following table sets forth the major players in the market in the Guangzhou:

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	The Group	133.0	48.6%
2	Company D	78.5	28.7%
3	Company G	35.0	12.7%
	Top 3	**246.5**	**90.0%**
	Total	**273.9**	**100.0%**

Source: Frost & Sullivan

The hospitality supplies sale market in Liaoning Province is highly concentrated. In 2018, there are less than 10 hospitality supplies malls in Liaoning Province. The Group is the second largest hospitality supplies malls in terms of operating areas of hospitality supplies in Liaoning Province in 2018. The top five players of hospitality supplies mall market together occupied an aggregate market share of approximately 90.0% in terms of operating areas in Liaoning Province.

The following table sets forth the major players in the market in the Liaoning Province:

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	Company B	87.5	43.2%
2	The Group	48.9	24.2%
3	Company G	22.4	11.0%
4	Company H	17.5	8.6%
5	Company I	6.0	3.0%
	Top 5	**182.3**	**90.0%**
	Total	**202.6**	**100.0%**

Source: Frost & Sullivan

The hospitality supplies sales market in Shenyang is highly concentrated. In 2018, there are three hospitality supplies sales malls in Shenyang. The Group is the second largest hospitality supplies mall in terms of operating areas in Shenyang, with a market share of approximately 34.4% in 2018. Other competitors, including a professional hospitality supplies sales mall and a small and medium-sized one, occupied market shares of 61.4%, 4.2%, respectively, in terms of operating areas of hospitality supplies malls in Shenyang.

The following table sets forth the major players in the market in the Shenyang:

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	Company B	87.5	61.4%
2	The Group	48.9	34.4%
3	Company I	6.0	4.2%
	Top 3	**142.4**	**100.0%**
	Total	**142.4**	**100.0%**

Source: Frost & Sullivan

The hospitality supplies sales market in Chengdu is highly concentrated. In 2018, there are approximately five hospitality supplies sales malls in Chengdu. Company A is the largest hospitality supplies mall in terms of operating areas in Chengdu, with a market share of approximately 57.3% in 2018. Other competitors, either non-professional hospitality supplies sales malls or small and medium-sized ones, occupied market shares of 19.1%, 9.6%, 7.3%, 6.7%, respectively, in terms of operating areas of hospitality supplies malls in Chengdu.

Ranking and Market Share of Hospitality Supplies Mall in Chengdu, 2018

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	Company A	120.0	57.3%
2	Company O	40.0	19.1%
3	Company P	20.0	9.6%
4	Company Q	15.4	7.3%
5	Company R	14.0	6.7%
	Top 5	**209.4**	**100.0%**
	Total	**209.4**	**100.0%**

Source: Frost & Sullivan

The hospitality supplies sales market in Zhengzhou is highly concentrated. In 2018, there are approximately five hospitality supplies shopping malls in Zhengzhou. Company S is the largest and professional hospitality supplies mall in terms of operating areas in Zhengzhou, with a market share of approximately 41.0% in 2018. Other competitors, either non-professional hospitality supplies sales malls or small and medium-sized ones, occupied market shares of 23.1%, 14.4%, 14.4%, 7.1%, respectively, in terms of operating areas of hospitality supplies malls in Zhengzhou.

Currently, there is only one large professional hospitality supplies shopping mall in Zhengzhou offering specialized hospitality supplies with comprehensive product portfolios and brands to clients who are seeking a one-stop procurement experience.

Ranking and Market Share of Hospitality Supplies Mall in Zhengzhou, 2018

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall *(Thousand sq.m.)*	Market Share *(%)*
1	Company S	40.0	41.0%
2	Company T	22.5	23.1%
3	Company U	14.0	14.4%
4	Company V	14.0	14.4%
5	Company W	7.0	7.1%
	Top 5	**99.5**	**100.0%**
	Total	**99.5**	**100.0%**

Source: Frost & Sullivan

The hospitality supplies sales market in Fuzhou is highly concentrated. In 2018, there are approximately five major hospitality supplies shopping malls in Fuzhou. Company X is the largest hospitality supplies shopping malls in Fuzhou in terms of operating areas, occupying approximately 50% market share in 2018. Other competitors, either non-professional hospitality supplies sales malls or small and medium-sized ones, occupied market shares of 30.0%, 10.0%, 5.0%, 5.0%, respectively, in terms of operating areas of hospitality supplies malls in Fuzhou.

Currently, there's only one large professional hospitality supplies shopping mall in Fuzhou offering specialized hospitality supplies with comprehensive product portfolios and brands to clients who are seeking a one-stop procurement experience.

Ranking and Market Share of Hospitality Supplies Mall in Fuzhou, 2018

Ranking	Hospitality Supplies Mall	Operating Areas of Hospitality Supplies Mall (Thousand sq.m.)	Market Share (%)
1	Company X	50.0	50.0%
2	Company Y	30.0	30.0%
3	Company Z	10.0	10.0%
4	Company a	5.0	5.0%
5	Company b	5.0	5.0%
	Top 5	**100.0**	**100.0%**
	Total	**100.0%**	**100.0%**

Source: Frost & Sullivan

(B) Home Supplies Sales Market

The chained home supplies retail market in China is quite concentrated.

In 2018, the top five players of chained home supplies mall market together occupied an aggregate market share of 34.4% in terms of rental revenue in China.

The home supplies sales market in Guangdong Province is highly fragmented, with top 3 competitors occupying 14.5% market share in terms of operating areas of home supplies malls. Major players in home supplies sales market in Guangdong Province include national chained home supplies malls and local home supplies malls, and consumers have various choices when purchasing home supplies.

The following table sets forth the major players in the market in the Guangdong Province:

Ranking	Home Supplies Mall	Operating Areas of Home Supplies Malls (Thousand sq.m.)	Market Share (%)
1	Company J	1,080.0	7.1%
2	Company K	682.0	4.5%
3	Company L	450.0	3.0%
	Top 3	**2,212.0**	**14.5%**
	Total	**15,231.8**	**100.0%**

Source: Frost & Sullivan

The home supplies sales market in Liaoning Province is highly fragmented and competitive, with top 3 competitors occupying approximately 26.2% market share in terms of operating areas of home supplies malls. The major home supplies malls in Liaoning Province have national layout and chain business.

The following table sets forth the major players in the market in the Liaoning Province:

Ranking	Home Supplies Mall	Operating Areas of Home Supplies Malls (Thousand sq.m.)	Market Share (%)
1	Company M	1,536.0	12.9%
2	Company K	1,124.2	9.4%
3	Company N	460.0	3.9%
	Top 3	**3,120.2**	**26.2%**
	Total	**11,905.9**	**100.0%**

Source: Frost & Sullivan

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

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Companies incorporated in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (promulgated by the Standing Committee of the National People's Congress of the PRC (''SCNPC'') on 29 December 1993, came into effect on 1 July 1994, and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018). The Company Law of the PRC provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested companies in PRC. Where laws on foreign investment provide otherwise, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, taxation, corporate governance, and labor matters, etc. of wholly foreign-owned enterprises established by foreign enterprises and other economic entities or individuals, within the territory of the PRC, are regulated by the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) (promulgated by the National People's Congress of the PRC (''NPC'') on April 12, 1986 and amended on 31 October 2000, and 3 September 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》) (promulgated by the former Ministry of Foreign Trade and Economic Cooperation of the PRC on 12 December 1990 and amended by the State Council on April 12, 2001 and 19 February 2014).

Sino-foreign equity joint ventures are regulated by the Sino-Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》) (promulgated by the SCNPC on 8 July 1979, came into effect on the same day, and amended on 4 April 1990, 15 March 2001, and 3 September 2016) and the Regulations for the Implementation of Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》) (promulgated by the State Council on 20 September 1983, came into effect on the same day, and amended on 15 January 1986, 21 December 1987, 22 July 2001, 8 January 2011, 19 February 2014 and 2 March 2019). These laws and regulations provide for the establishment and alteration, registered capital requirement, restrictions on foreign exchange, accounting practices, taxation and other matters of Sino-foreign joint ventures.

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002), foreign investment projects are divided into four categories, namely ''encouraged'', ''permitted'', ''restricted'' and ''prohibited'' categories. Foreign investment projects of the encouraged, restricted and prohibited categories are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). Foreign investment projects that do not fall within the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects. The category of permitted foreign investment projects are not listed in the Catalogue of Industries for Guiding Foreign Investment.

Pursuant to the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) (promulgated by the National Development and Reform Commission of the PRC ("NDRC") and the Ministry of Commerce of the PRC ("MOFCOM") on 30 June 2019 and came into effect on 30 July 2019) and the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) (《外商投資准入特別管理措施(負面清單) (2019年版)》) (promulgated by the NDRC and the MOFCOM on 30 June 2019 and came into effect on 30 July 2019), operation of shopping malls for hospitality supplies and home furnishings falls within the permitted category for foreign investment.

Pursuant to Announcement of the National Development and Reform Commission and the Ministry of Commerce of the PRC (《國家發改委及商務部公告2016年第22號》) (promulgated on 8 October 2016) and the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (promulgated by MOFCOM on 8 October 2016, came into effect on the same day and amended on 30 July 2017 and 29 June 2018), the administration of establishment and alteration of foreign-invested enterprises not involving special administrative measures as stipulated by the State has been changed from examination and approval to filing.

REGULATIONS ON THE ADMINISTRATION OF TRADING PLACES

Pursuant to the Guidance of the State Administration for Industry and Commerce on Strengthening the Standardized Administration of Commodity Trading Markets (《工商總局關於加強商品交易市場規範管理的指導意見》) (promulgated by the former State Administration for Industry and Commerce of the PRC ("SAIC") on 25 December 2013 and came into effect on the same day), local departments shall lead operators of commodity trading markets to take responsibilities including maintaining the business order of markets, protecting legal rights and interests of consumers, and guaranteeing the quality of commodities.

According to the Regulations on the Administration of Commodity Trading Markets of Guangdong Province (《廣東省商品交易市場管理條例》) (promulgated by the Standing Committee of the Guangdong Provincial People's Congress on 30 March 2002, came into effect on 1 April 2002 and amended on 26 July 2012), operators of commodity trading markets shall apply to the industrial and commercial administrative departments at or above the county level for enterprise registration, and obtain business licenses before the leasing and opening of the market booths and stores. Prior to the operation of the markets, the buildings in the markets shall go through an acceptance check conducted by the construction departments of the people's government at or above the county level; the facilities and premises must obtain approvals on fire prevention design and fire prevention acceptance inspection, or the fire prevention design shall be filed to relevant departments and the facilities and premises of the markets shall go through the fire safety inspection.

According to the Implementation Opinions of Shenyang City on Strengthening the Standardized Management of Commodity Trading Markets (《瀋陽市關於加強商品交易市場規範管理的實施意見》) (promulgated by the Shenyang Administration for Industry and Commerce on 12 May 2014 and came into effect on the same day), operators of commodity trading markets that have not separately registered and obtained business licenses are encouraged and guided to establish an enterprise legal person, obtain an Enterprise Legal Person Business License, and engage in the operation and management of the commodity trading markets as an enterprise legal person. Otherwise, the business management qualification of the market operators will be considered as illegal.

LAWS AND REGULATIONS ON THE LEASE OF PROPERTIES

Both the Provisional Regulations Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas of the PRC (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (promulgated by the State Council on 19 May 1990 and came into effect on the same day) and the Administration of Urban Real Estate Law of the PRC (《中華人民共和國城市房地產管理法》) (promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and amended subsequently on 30 August 2007, 27 August 2009 and 26 August 2019, and the latest amendment will come into effect on 1 January 2020) permit the leasing of granted land use rights and of the buildings or houses erected on the land upon certain conditions. Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》)(promulgated by the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") on 1 December 2010 and came into effect on 1 February 2011), parties thereto shall register and file with the local property administration authority within thirty days of the signing of the lease contract. Those who fail to register may be ordered by the competent construction (real estate) department to make corrections within a prescribed time limit; where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

Under the Contract Law of the PRC (《中華人民共和國合同法》) (promulgated by the NPC on 15 March 1999 and came into effect on 1 October 1999), the term of a leasing contract shall not exceed 20 years. When the lease period has expired, the parties may renew the leasing contract, but the lease period agreed upon may not be more than twenty years from the date of the renewal. Any change of ownership during the lease term to the leasing properties does not affect the validity of the leasing contract. The lessee may, with the consent of the lessor, sublease the leased item to a third party. Where the lessee subleases the leased item without the consent of the lessor, the lessor may dissolve the contract.

LAWS AND REGULATIONS ON CONSTRUCTION PROJECTS

Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) (promulgated by the SCNPC on 28 October 2007, came into effect on 1 January 2008 and amended on April 24, 2015 and April 23, 2019), a construction work planning permit must be obtained from relevant urban and rural planning government authorities for the construction of buildings, structures, roads, pipelines and other engineering projects within an urban or rural planning area.

In accordance with the Measures for the Administration of Construction Permit for Construction Projects (《建築工程施工許可管理辦法》) (promulgated by the MOHURD on 25 June 2014, came into effect on 25 October 2014 and amended on 28 September 2018), after obtaining the construction work planning permit, the construction units shall apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above.

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》) (promulgated by the SCNPC on 1 November 1997, came into effect on 1 March 1998 and amended on April 22, 2011 and April 23, 2019) and Regulations on the Quality Management of Construction Projects (promulgated by the State Council on 30 January 2000, came into effect on the same day and amended on 7 October 2017 and April 23, 2019), the completed construction project may be delivered for use upon passing acceptance inspection. The owner of a construction project shall, within 15 days from the day when the project passes the acceptance inspection, submit the acceptance inspection report, the approval or licensed use documents issued by the departments of planning, public security and fire prevention, environmental protection, etc. to the construction administrative department or other relevant departments for record- filing.

REGULATIONS ON THE MANAGEMENT OF PARKING LOTS

According to the Regulation on the Parking Lots of Guangzhou (《廣州市停車場條例》) (promulgated by Standing Committee of Guangzhou People's Congress on April 20, 2018 and came into effect on 1 October 2018), the operators of public parking lots, special-purpose parking lots and temporary parking lots shall apply to the local traffic administrative department for filing. The traffic administrative department at district level is responsible for the filing of the profit-making parking lots within its administrative area.

According to the Notice on Issues Concerning Removing the Control over Parking Charges for Residential Parking Lots, Commercial Supporting Parking Lots, and Open-air Parking Lots (《關於放開住宅社區、商業配套、露天停車場停車保管服務收費等有關問題的通知》) (promulgated by the Guangdong Provincial Development and Reform Commission and the Guangdong Provincial Department of Housing and Urban-Rural Development and came into effect on 15 August 2015), parking fees for motor vehicles in the supporting parking lots of shopping malls and professional markets, and open-air parking lots other than those managed by the government, shall adopt market-adjusted price.

According to the Administrative Measures for Shenyang Motor Vehicle Parking Lot (《瀋陽市機動車停車場管理辦法》) (promulgated by the Shenyang Municipal People's Government on 1 December 2010 and came into effect on 1 January 2011), the municipal public security bureau is the competent administrative department of parking lots. Administrative departments in charge of development and reform, planning, urban and rural construction, urban construction, industry and commerce, taxation, price, quality supervision, civil air defense, etc. shall, within the scope of their respective duties, handle the administration of parking lots properly. If public parking lots provide paid services to the public, operators shall file with the public security bureau within 10 days upon the completion of procedures with industrial and commercial, taxation, and price authorities by law.

LAWS ON THE FIRE PREVENTION

Pursuant to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (promulgated by the SCNPC on April 29, 1998, came into effect on 1 September 1998, and amended on 28 October 2008 and April 23, 2019), the Ministry of Emergency Management and its local counterparts at or above county level shall monitor and administer the fire prevention affairs, and the fire prevention and rescue units of relevant local People's Government are responsible for implementation. The fire prevention design and construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire prevention technical standards for project construction, the fire prevention design examination and acceptance system shall be implemented.

For construction projects which are required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority of the State Council, the developer shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance upon the completion of the construction projects. For other construction projects, the developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, and the housing and urban-rural development department shall conduct random inspection. For each public assembly premise, such as shopping malls and trade markets, the developer of the construction project or the entity using such premise shall, prior to use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire prevention and rescue department of a local People's Government at or above the county level where the premise is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection. Otherwise, the developer of the construction project or the entity using such premise shall be ordered to stop construction or use or to suspend operations or businesses, and be subject to a fine ranging from RMB30,000 to RMB300,000.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) (promulgated by the SCNPC on 28 October 2002, came into effect on 1 September 2003, and amended on 2 July 2016 and 29 December 2018), the State implements a classification-based management on the environmental impact assessment ("EIA") of construction projects according to the impact of the construction projects on the environment. For projects with potentially serious environmental impacts, an Environmental Impact Report ("EIR") shall be prepared to provide a comprehensive assessment of their environmental impacts. For projects with potentially mild environmental impacts, an Environmental Impact Statement ("EIS") shall be prepared to provide an analysis or specialized assessment of their environmental impacts. For projects with very small environmental impacts so that an EIA is not required, an Environmental Impact Registration Form ("EIRF") shall be filled out. The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the administrative department for environmental protection with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF.

According to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (promulgated by the State Council on 29 November 1998, came into effect on the same day, and amended on 16 July 2017), after the construction of a construction project for which an EIR or EIS is prepared is completed, the construction unit shall go through an acceptance check of the complementary environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

LAWS AND REGULATIONS ON CONSUMER PROTECTION

According to the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (promulgated by the SCNPC on 31 October 1993, came into effect on 1 January 1994, and amended on 27 August 2009 and 25 October 2013), business operators of business premise such as hotels, malls, restaurants, banks, airports, stations, ports, theatres, and etc., shall perform safety protection obligations towards consumers.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》) (promulgated by the SCNPC on 26 December 2009 and came into effect on 1 July 2010), managers of public premises such as hotels, shopping malls, banks, stations, entertainment premises, and etc., or organizers of mass activities who have failed to perform safety assurance obligations and caused others to suffer damages shall bear tort liability.

According to the Supreme People's Court's Interpretation on Certain Issues Concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury (《最高人民法院關於審理人身損害賠償案件適用法律若干問題的解釋》) (promulgated by the Supreme People's Court on 26 December 2003 and came into effect on 1 May 2004), a natural person, legal person or other organization engaging in the business of hotel, catering, entertainment and the like or carrying out other social activities, which fails to perform duty of care and security within reasonable limits and thereby causes another person to suffer a personal injury, shall bear the corresponding liability for compensation.

LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

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

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

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (promulgated by the State Council on 22 January 1999, came into effect on the same day, and amended on 24 March 2019), the Regulation on Work-Related Injury (《工傷保險條例》) (promulgated by the State Council on April 27, 2003, came into effect on 1 January 2004 and amended on 20 December 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (promulgated by the State Council on 22 January 1999 and came into effect on the same day) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (promulgated by the Ministry of Labor on 14 December 1994 and came into effect on 1 January 1995), enterprises subject to those laws and regulations shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (promulgated by the SCNPC on 28 October 2010, came into effect on 1 July 2011 and amended on 29 December 2018), for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; If they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to promptly pay social insurance premiums in full amount, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of five-ten thousandths of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default shall be imposed on them by the relevant administrative department.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (promulgated by the State Council on 3 April 1999, came into effect on the same day and amended on 24 March 2002), the housing provident fund deposited by an employee and its employer shall be owned by the employee. Employers shall pay the housing provident fund in full and on time and overdue or insufficient payment shall be prohibited. Employers shall conduct the housing fund payment and deposition registration in the housing provident fund administrative center. For entities in violation of the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant entities to complete the relevant procedures within a prescribed time limit. Companies failing to make registration within the prescribed time limit will be fined RMB10,000 to RMB50,000. In the event that an entity violates these regulations and fails to pay the housing provident fund in full amount before the deadline, the housing provident fund administrative center will order the entity to pay the amount within a prescribed time limit; if the entity still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for compulsory enforcement.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (promulgated by the SCNPC on 23 August 1982, came into effect on 1 March 1983 and amended subsequently on 22 February 1993, 27 October 2001, 30 August 2013 and April 23, 2019, and the latest amendment will come into effect on 1 November 2019) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (promulgated by the State Council on 3 August 2002, came into effect on 15 September 2002 and amended on April 29, 2014). The Trademark Bureau under the State Intellectual Property Office of the PRC is responsible for domestic trademark registration. The validity period of registered trademark is 10 years, commencing from the date of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be cancelled. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademark. The trademark license contract shall be submitted to the trademark office for filing. An unrecorded license may not be used as a defense against a third party in good faith.

As for trademark registration, trademark law adopts the principle of "prior application". Where two or more trademark registration applicants apply for registration of identical or similar trademarks to be used on identical or similar goods, the trademark, the registration of which is applied for first, shall be preliminarily approved and published; or if the applications are filed on the same day, the trademark which is used first shall be preliminarily approved and published, while the applications of the others shall be rejected without publication. Where a trademark in registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods or services, been registered or, after examination, preliminarily approved, the application for trademark registration may be rejected. Anyone who applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark with a certain reputation already used by another party.

Domain Name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) (promulgated by the Ministry of Information Industry on 24 August 2017 and came into effect on 1 November 2017), the Ministry of Information Industry shall conduct supervision and administration of the domain name services nationwide, the communications administrations of all provinces, autonomous regions and municipalities directly under the Central Government shall conduct supervision and administration of the domain name services within their respective administrative regions. Domain name registration services shall, in principle, be subject to the principle of "apply first, register first". A domain name registrar shall, in the process of providing domain name registration services, require an applicant for the registration of a domain name to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration information. Where any organization or individual registers or uses any domain name in violation of the provisions, which constitutes a crime, it or he shall be subject to criminal liability in accordance with the law; or if the act does not constitute a crime, it or he shall be punished by the relevant department in accordance with the law.

TAX LAWS AND REGULATIONS

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and amended on 24 February 2017 and December 29 2018) and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (promulgated by the State Council on 6 December 2007, came into effect on 1 January 2008 and amended on April 23, 2019), the 25% rate applies to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises who have production and operation facilities in the PRC. These enterprises are classified into resident and non-resident enterprises. Enterprises which are established according to the law of a foreign country or region, but whose actual management bodies (referring to the bodies conducting substantive and all-around management and control over the enterprises' production, operation, personnel, accounting matters, finance, etc.) are in the PRC are deemed as resident enterprises. Thus, the 25% rate applies to their income from both inside and outside the PRC.

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

According to the Arrangements Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (promulgated by the State Administration of Taxation of the PRC ("SAT") on 21 August 2006, came into effect on 8 December 2006 and amended on 11 June 2008, 20 December 2010 and 29 December 2015), if any company incorporated in Hong Kong holds no less than 25% of the equity of a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax.

According to the Announcement on Issues Relating to "Beneficial Owner" in Tax Treaties (《關於稅收協定中"受益所有人"有關問題的公告》) (promulgated by the SAT on 3 February 2018 and came into effect on 1 April 2018), determination of "beneficial owner" status for clauses of the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income on dividends, interest and royalties shall comply with the announcement.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (promulgated by the SAT on 3 February 2015 and came into effect on the same day, Article 8.2 & 13 of this Announcement have been annulled), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the enterprise income tax payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the Enterprise Income Tax Law. Where the enterprise income tax on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent. If the equity transferor fails to declare and pay tax payable of indirectly transferred taxable property income in the PRC on time and in full amount, and the withholding agent fails to withhold the tax, in addition to recovering the tax payable, the equity transferor shall be charged with interest on a daily basis according to the provisions of the Regulations on the Implementation of the Enterprise Income Tax Law.

Value-added Tax

According to the Temporary Regulations on Value -Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994 and amended on 10 November 2008, 6 February 2016 and 19 November 2017) and the Detailed Implementing Rules for the Implementation of the Temporary Regulations on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (promulgated on 25 December 1993 by the Ministry of Finance of the PRC ("MOF"), came into effect on the same day and amended on 15 December 2008 and 28 October 2011), entities and individuals that sell goods or labor services of processing, repair or replacement (hereinafter referred to as "labor services"), sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax ("VAT"), and shall pay VAT in accordance with these Regulations. The VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders (except as otherwise specified in laws).

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (promulgated by the MOF and the SAT on 23 March 2016, came into effect on 1 May 2016 and as amended on 11 July 2017, 25 December 2017 and 20 March 2019 respectively), the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (promulgated on 4 April 2018 and came into effect on 1 May 2018, by the MOF and the SAT), where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17-percent and 11-percent tax rates are adjusted to be 16 percent and 10 percent respectively. Pursuant to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on 20 March 2019 and came into effect on 1 April 2019), tax rates of the VAT on sales and imported goods that were previously subject to 16% and 10% were adjusted to 13% and 9% respectively.

City Maintenance and Construction Tax and Educational Surcharges

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

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

According to the Temporary Provisions on the Collection of Educational Surcharges (promulgated by the State Council on April 28, 1986, came into effect on 1 July 1986 and amended subsequently on 7 June 1990, 20 August 2005 and 8 January 2011), entities and individuals obliged to pay consumption tax, value-added tax and business tax shall pay educational surcharges under these Provisions, except for entities paying additional charges for rural education. The tax rate of education surcharges shall be 3% of the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and paid at the same time along with the above taxes.

LAWS AND REGULATIONS ON DIVIDEND DISTRIBUTION

The principal law governing dividend distributions paid by our PRC Subsidiaries is the Company Law of the PRC, the dividend distributions of wholly foreign-owned enterprises (“WFOEs”) and Sino-foreign equity joint ventures (“EJVs”) are further governed by the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》), 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》), the Sino-Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》) and the Regulations for the Implementation of Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》).

According to the aforementioned laws and regulations, Chinese companies (including foreign-owned enterprises and Sino-foreign equity joint ventures) may only pay dividends from accumulated after-tax profit, if any, subject to the PRC accounting standards and regulations. Statutory and optional reserve funds shall be withdrawn in accordance with the provisions of the Company Law of the PRC. A company shall allocate 10% of the profits to its statutory reserve fund upon distribution of its post-tax profits of the current year. Allocation to the company’s statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the company’s registered capital. The proportion of optional reserve funds to be withdrawn shall be determined by the company on its own accord. These reserves are not distributable as cash dividends.

In addition, WOFEs and EJVs shall, upon payment of income tax on its profits pursuant to the provisions of China tax laws, make apportionment to its employees’ bonus, welfare funds and enterprise development funds (not applicable to WOFEs). These reserves or funds are not distributable as dividends either.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

According to Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and amended on 14 January 1997 and 5 August 2008), foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas; The conditions and time limit of transferring back to China and overseas deposit shall be specified by the foreign exchange administration department of the State Council according to the international receipts and payments status and requirements of foreign exchange administration. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Domestic entities or individuals who directly make overseas investment or involve in issuance or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. Entities and individuals above shall submit relevant documents for inspection and approval or recordation before registration if they are required to get approval or make filings before registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Provisions on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (promulgated by the People's Bank of China on 20 June 1996 and came into effect on 1 July 1996), foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the maximum amount approved by the foreign exchange administration department and the exceeding part shall be sold to a designated foreign exchange bank or sold through the foreign exchange swap center.

According to the Notice on Reforming and Regulating the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (promulgated by the State Administration of Foreign Exchange of the PRC ("SAFE") on 9 June 2016 and came into effect on the same day), the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The SAFE may adjust the above ratio in due time in accordance with the balance of payment status. Domestic institutions shall comply with the following provisions in using their foreign exchange receipts under the capital account and Renminbi funds obtained from foreign exchange settlement: Such receipts and funds shall not, (1) directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State; (2) directly or indirectly, be used for investment in securities or other investments than banks' principal-secured products, unless otherwise provided; (3) be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license; and (4) be used for construction or purchase of real estate for purpose other than self-use (exception applies for real estate enterprises).

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

Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (promulgated by the SAFE on 13 February 2015 and came into effect from 1 June 2015), the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

M&A RULES

Pursuant to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("M&A Rules") (promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission, SAT, SAIC and SAFE on 8 August 2006, came into effect on 8 September 2006 and amended subsequently on 22 June 2009 by MOFCOM), foreign investors are required to obtain necessary approvals when (i) foreign investors acquire equity of shareholders of non-foreign investment enterprises in China, or subscribe to additional capital of domestic companies thereby converting such domestic companies into foreign investment enterprises (equity acquisition); or (ii) foreign investors establish foreign investment enterprises to acquire and operate assets of domestic enterprises by agreement, or acquire the assets of domestic enterprises by agreement and invest such assets to establish foreign investment enterprises for operation of such assets. According to Article 11 of the M&A Rules, approval from MOFCOM is required where a domestic company, enterprise, or natural person acquires a domestic company with a related party in the name of an overseas company legitimately incorporated or controlled by it.

HISTORY AND DEVELOPMENT

Overview

Our Group's history can be traced back to 2002 when Mr. Cheung, Mr. Mei, Mr. Zhang, all of which are our Controlling Shareholders, together with Mr. Li Junbo, who is the uncle of Mr. Cheung, established Guangzhou Shaxi Hotel in January 2002 for leasing properties and the sales of daily industrial products.

Believing that the hospitality supplies shopping mall operation industry in the PRC had promising prospects, Mr. Cheung, Mr. Mei, Mr. Zhang and Mr. Li Junbo decided to shift the business focus of Guangzhou Shaxi Hotel to the operation of shopping mall for hospitality supplies. In December 2003, our first shopping mall for hospitality supplies, Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) commenced operation. In 2008, Mr. Li Junbo retired and disposed his interests in Guangzhou Shaxi Hotel to Mr. Cheung, Mr. Mei and Mr. Zhang. To further develop our hospitality supplies shopping mall operation business, Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) (formerly known as Xinji Yingbin Hospitality Supplies Center (信基迎賓酒店用品城)) commenced operation in December 2007. In October 2014, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) commenced operation.

After establishing our presence in the hospitality supplies shopping mall operation industry in the PRC, we began expanding our home furnishings shopping mall operating business. In March 2015, Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) commenced operation. On 1 December 2018, we began operating Xinji Dashi Home Furnishings Center (信基大石傢俬城), which was formerly managed by Panyu Real Estate. For details, please refer to the paragraph headed "Transfer of Business to our Group" in this section.

In September 2017, Guangzhou Xinji Dajing began cooperating with Beijing JingDong Century Trade Co., Ltd. (北京京東世紀商貿有限公司) ("**Jingdong**") in setting up an online shopping mall, which provides an alternative trading platform to hospitality supplies and home furnishings suppliers, in order to capture the business opportunities in the e-commerce industry and to complement the operation and sales of our traditional physical shopping malls. In April 2018, having considered that the business of Guangzhou Xinji Dajing had great potential, we further acquired 42% equity interest in Guangzhou Xinji Dajing and Guangzhou Xinji Dajing subsequently became a subsidiary of our Group.

As our brand is well-established in the shopping mall operation industry in the PRC, other shopping mall owners began to seek cooperation with our Group. In 2018, we entered into a cooperation agreement with an Independent Third Party, pursuant to which we agreed to act as the shopping mall manager for a planned hospitality supplies shopping mall located in Yuetang International Trade City (岳塘國際商貿城), a commercial complex developed by the Independent Third Party. For details, please refer to the section headed "Business – Our Business Operations – Our managed shopping mall" in this prospectus.

Apart from our shopping mall operation business, in 2015, we began providing exhibition management services for the annual HOSFAIR in China. Please refer to the section headed "Business – Our Business Operations – Our exhibition management business" in this prospectus for details.

For background of Mr. Cheung, Mr. Mei and Mr. Zhang, please refer to the section headed ''Directors and Senior Management – Board of Directors and Senior Management – Directors'' for details.

Business Milestones

The following table summarises the significant business developments and milestones of our Group's business:

Year	Milestone event
2003	Our first shopping mall for hospitality supplies, Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) commenced operation.
2014	Our brand, Xinji Shaxi (信基沙溪) was awarded as Guangdong Province National Famous Brand* (廣東省全國名牌).
	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) commenced operation.
2015	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) was awarded the National Honest Demonstration Market Unit* (年度全國誠信示範市場單位).
	We started to provide a one-stop trade platform for global hospitality supplies providers and purchasers, through holding exhibitions through HOSFAIR, to broaden their sale and purchase channel.
2017	Guangzhou Xinji Dajing launched the Online Shopping Mall with Jingdong.
2018	We began acting as the shopping mall manager for a planned hospitality supplies shopping mall located in Yuetang International Trade City (岳塘國際商貿城).

OUR GROUP STRUCTURE AND CORPORATE HISTORY

As at the Latest Practicable Date, our Group consists of (i) our Company; (ii) one intermediate holding company incorporated in the BVI; (iii) one intermediate holding company incorporated in Hong Kong; (iv) one intermediate holding company incorporated in the PRC; and (v) 11 operating subsidiaries incorporated in the PRC.

Information on material operating subsidiaries of our Group

The table below sets forth details of our material operating subsidiaries incorporated in the PRC:

Name	Place and date of incorporation	Equity ownership as at 1 January 2016 (i.e. beginning of the Track Record Period) or date of incorporation (if the incorporation date is later than 1 January 2016) *(Approximate %)*	Equity ownership after completion of the Reorganisation *(Approximate %)*	Principal business activities as at the Latest Practicable Date
Guangzhou Shaxi Hotel	PRC/8 January 2002	• 28.8% by Mr. Cheung • 28.8% by Mr. Mei • 12.4% by Mr. Zhang • 20% by Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) ("**Guangzhou Huiqun**")[1] • 10% by Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) ("**Guangzhou Fupin**")[2]	• 99.7% by Guangzhou Xinji • 0.3% by Hong Kong Xinji	Operating Xinji Shaxi Hospitality supplies Expo Center
Guangzhou Wanhua Hotel	PRC/24 June 2004	• 49% by Hong Kong Dragon[3,4] • 51% by Guangzhou Shaxi Hotel[4]	100% by Guangzhou Shaxi Hotel	Operating Xinji Hotelex Hospitality Supplies Center
Shenyang Xinji Industrial	PRC/13 May 2009	• 4.2% by Xinji Company[5,6] • 38.2% by Guangzhou Shaxi Hotel • 57.6% by Shunwell International[7]	100% by Guangzhou Shaxi Hotel	Leasing properties to Shenyang Shaxi Hotel and Shenyang Shaxi Household
Shenyang Shaxi Hotel	PRC/10 June 2009	• 90% by Guangzhou Shaxi Hotel • 10% by Xinji Company[8]	100% by Guangzhou Shaxi Hotel	Operating Xinji Shaxi Hospitality Supplies Expo Center (Shenyang)
Shenyang Shaxi Household	PRC/10 June 2009	• 100% by Xinji Company[9]	100% by Guangzhou Shaxi Hotel	Operating Xinji Shaxi Home Furnishings Expo Center (Shenyang)

Name	Place and date of incorporation	Equity ownership as at 1 January 2016 (i.e. beginning of the Track Record Period) or date of incorporation (if the incorporation date is later than 1 January 2016) *(Approximate %)*	Equity ownership after completion of the Reorganisation *(Approximate %)*	Principal business activities as at the Latest Practicable Date
Guangdong Xinji Household	PRC/14 November 2013	• 80% by Xinji Company • 20% by Guangzhou Panyu Dashi Fuli Furniture Plaza Company Limited* (廣州市番禺大石富麗傢俬廣場有限公司) ("**Guangzhou Panyu Dashi**")[10]	100% by Guangzhou Shaxi Hotel	Operating Xinji Dashi Home Furnishings Center
Xinji Huazhan	PRC/12 December 2014	• 51% by Xinji Company • 49% by Guangzhou Huazhan Exhibition Planning Company Limited* (廣州華展展覽策劃有限公司) ("**Guangzhou Huazhan Exhibition**")[11]	• 80% by Guangzhou Shaxi Hotel • 10% by Guangzhou Huazhan Exhibition • 5% by Mr. Cao Zijian[12] • 5% by Mr. Tang Shusong[13]	Providing exhibitions management services
Guangzhou Xinji Dajing	PRC/30 December 2016	• 45% by Shanghai Dajing Electronic Commerce Company Limited* (上海達境電子商務有限公司) ("**Shanghai Dajing Electronic**")[14] • 25% by Mr. Cheung[15] • 15% by Xinji Company • 5% by Ms. Jin • 5% by CHSA[16] • 5% by Mr. Gu Weibin[17]	• 60% by Guangzhou Shaxi Hotel • 31.0% by Shanghai Dingshang Advertising Company Limited* (上海鼎尚廣告有限公司) ("**Shanghai Dingshang Advertising**")[18] • 3.5% by Ms. Jin • 3.5% by CHSA[16] • 2.0% by Mr. Gu Weibin[17]	Operating our Online Shopping Mall
Guangzhou Xinji Dingshang	PRC/20 September 2017	• 100% by Guangzhou Xinji Dajing	100% by Guangzhou Xinji Dajing	Operating our Online Shopping Mall
Guangzhou Xinji Commerce	PRC/30 January 2018	• 55% by Guangzhou Shaxi Hotel • 35% by Mr. Liang Dexiang[19] • 10% by Mr. Chen Shaochang[20]	• 55% by Guangzhou Shaxi Hotel • 35% by Mr. Liang Dexiang[19] • 10% by Mr. Chen Shaochang[20]	Providing shopping mall management services

Name	Place and date of incorporation	Equity ownership as at 1 January 2016 (i.e. beginning of the Track Record Period) or date of incorporation (if the incorporation date is later than 1 January 2016) *(Approximate %)*	Equity ownership after completion of the Reorganisation *(Approximate %)*	Principal business activities as at the Latest Practicable Date
Guangdong Xinji Exhibition	PRC/14 June 2018	• 100% by Guangzhou Shaxi Hotel	100% by Guangzhou Shaxi Hotel	Providing exhibitions management services

Notes:

1. Guangzhou Huiqun (formerly known as Guangzhou Huiqun Hotel Products Company Limited* (廣州匯群酒店用品有限公司)) is owned by shareholders who, to the best knowledge and belief of our Directors, are Independent Third Parties.

2. Guangzhou Fupin (formerly known as Guangzhou Fupin Hotel Products Company Limited* (廣州福品酒店用品有限公司)) is owned as to 10%, 10%, 6%, 6%, 5%, 3% and 60% by Foshan Yuxing Trading Company Limited* (佛山市順德區禺興貿易有限公司) ("**Yuxing Trading**"), Mr. Mei Yingbo (the nephew of Mr. Zhang), Mr. Zhang, Mr. Zhang Qingquan, Mr. Mei Yingpei, Mr. Zhang Weiquan and a shareholder who, to the best knowledge and belief of our Directors, is an Independent Third Party, respectively. Mr. Mei Yingpei is the director and general manager of Shenyang Xinji Industrial, and the general manager of Shenyang Shaxi Hotel and Shenyang Shaxi Household. Mr. Zhang Qingquan and Mr. Zhang Weiquan are the brothers of Mr. Cheung. Yuxing Trading is owned as to 20%, 20%, 6%, 6%, 2% and 46% by Mr. Zhang Weiquan, Mr. Zhang Jiajian (the son of Mr. Zhang), Mr. Mei Yingteng (the brother of Mr. Mei Yingpei), Mr. Zhang Jiajun (the nephew of Mr. Zhang), Mr. Zhang Bingquan (the cousin of Mr. Cheung) and shareholders who, to the best knowledge and belief of our Directors, are Independent Third Parties, respectively.

3. Hong Kong Dragon is owned as to approximately 20.4% by Mr. Chan, 20.4% by Mr. Lin Mingxin, 20.4% by Ms. Liang Wenli, 16.3% by Mr. Li, 16.3% by Ms. Liang Yujing and 6.2% by Mr. Ma Ching Wing. To the best knowledge and belief of our Directors, Mr. Chan, Mr. Lin Mingxin, Ms. Liang Wenli, Ms. Liang Yujing and Mr. Ma Ching Wing are Independent Third Parties.

4. Pursuant to a cooperative agreement entered into between Hong Kong Dragon and Guangzhou Shaxi Hotel, Guangzhou Shaxi Hotel and Hong Kong Dragon were entitled to 51% and 49% equity interest in Guangzhou Wanhua Hotel, respectively, despite their legal interest in the Guangzhou Wanhua Hotel were approximately 80.3% and 19.7%, respectively.

5. As at 1 January 2016, Xinji Company was owned as to approximately 41.2% by Mr. Cheung, 41.2% by Mr. Mei and 17.6% by Mr. Zhang.

6. As at 1 January 2016, approximately 4.2% equity interests in Shenyang Xinji Industrial was held on trust by Mr. Mei Yingpei for Xinji Company.

7. Shunwell International is owned as to approximately 42.9% by Mr. Cheung, 42.9% by Mr. Mei (being held on trust by Mr. Cheung) and 14.2% by Mr. Zhang (being held on trust by Mr. Cheung).

8. During the period from the incorporation of Shenyang Shaxi Hotel to 28 June 2018, Mr. Mei Yingpei had been holding 10% equity interests in Shenyang Shaxi Hotel on trust for Xinji Company.

9. During the period from the incorporation of Shenyang Shaxi Household to 28 June 2018, Mr. Mei Yingpei had been holding 10% equity interests in Shenyang Shaxi Household on trust for Xinji Company.

10. Guangzhou Panyu Dashi is owned as to approximately 42.9%, 42.9% and 14.2% by Mr. Mei, Mr. Cheung (being held on trust by Mr. Zhang Weiquan) and Mr. Zhang, respectively.

11. To the best knowledge and belief of our Directors, Guangzhou Huazhan Exhibition is owned by Independent Third Parties.

12. To the best knowledge and belief of our Directors, Mr. Cao Zijian is an Independent Third Party.

13. To the best knowledge and belief of our Directors, Mr. Tang Shusong is an Independent Third Party.

14. Shanghai Dajing Electronic is owned as to 99% and 1% by Mr. Tian Ye and a shareholder who, to the best knowledge and belief of our Directors, is an Independent Third Party, respectively. Mr. Tian Ye is the vice chairman of Guangzhou Xinji Dajing and 30% shareholder of Shanghai Dingshang Advertising.

15. During the period from the incorporation of Guangzhou Xinji Dajing to 20 April 2018, Mr. Zhang Bingquan had been holding 25% equity interests in Guangzhou Xinji Dajing on trust for Mr. Cheung.

16. Since incorporation of Guangzhou Xinji Dajing, a shareholder who, to the best knowledge and belief of our Directors, is an Independent Third Party has been holding equity interests in Guangzhou Xinji Dajing on trust for CHSA, a hotel supplies association currently chaired by Mr. Cheung. As confirmed by our PRC Legal Advisers, such trust arrangement did not violate any laws or regulations in the PRC.

17. Mr. Gu Weibin is the assistant of the president and the general manager of the investment development centre and the strategy operation centre of our Company.

18. Shanghai Dingshang Advertising is owned as to 30%, 30% and 40% by Mr. Yu Daizhi, Mr. Tian Ye and shareholders who, to the best knowledge and belief of our Directors, are Independent Third Parties, respectively. Mr. Yu Daizhi is a director of Guangzhou Xinji Dajing.

19. To the best knowledge and belief of our Directors, save for his shareholding in Guangzhou Xinji Commerce, Mr. Liang Dexiang is an Independent Third Party.

20. To the best knowledge and belief of our Directors, save for his shareholding in Guangzhou Xinji Commerce, Mr. Chen Shaochang is an Independent Third Party.

For details relating to the aforementioned trust arrangements relating to our Controlling Shareholders, please refer to the paragraph headed "Trust Arrangements in relation to our Controlling Shareholders" in this section.

We have adopted a complex group structure with a number of subsidiaries as our Group sets up a company for (i) each of the shopping malls we operate and (ii) each business segment. Our shopping malls are located in Guangdong, Hunan and Liaoning provinces in China. Establishing a company for each shopping mall and each business segment enables our Group to better manage and monitor the operation of our businesses, and also allows flexibility in compliance and leasing arrangements when our Group is conducting business.

Major shareholding changes during the Track Record Period prior to the Reorganisation

During the Track Record Period prior to the Reorganisation, the following changes in the shareholding of members of our Group took place:

Guangzhou Wanhua Hotel

On 1 March 2017, Guangzhou Shaxi Hotel disposed all its approximately 80.3% legal interest in Guangzhou Wanhua Hotel to Guangdong Yingbin at a consideration of RMB40.8 million, which was determined based on the amount of paid up registered capital and was fully settled on 1 April 2017. After completion of the aforesaid transfer, Hong Kong Dragon and Guangdong Yingbin had approximately 19.7% and 80.3% legal interest in Guangzhou Wanhua Hotel, respectively.

Shenyang Xinji Industrial

On 16 November 2015, Guangzhou Shaxi Hotel transferred approximately 38.2% equity interest in Shenyang Xinji Industrial to Xinji Company at a consideration of RMB45 million, which was determined based on the amount of paid up registered capital and fully settled on 30 December 2015.

On 25 June 2017, Shunwell International transferred all its approximately 57.6% equity interest in Shenyang Xinji Industrial to Xinji Company at a consideration of RMB68 million, which was determined based on the amount of paid up registered capital, and such consideration is payable by 31 December 2020.

On 21 August 2017, Guangzhou Shaxi Hotel acquired 4.2% and 95.8% equity interest in Shenyang Xinji Industrial from Mr. Mei Yingpei (as the trustee of Xinji Company) and Xinji Company, respectively, at a consideration of RMB5 million and RMB113 million, which was determined based on the amount of paid up registered capital and was fully settled on 26 October 2017 and 18 October 2017, respectively.

After completion of the aforementioned transfers, Shenyang Xinji Industrial was wholly owned by Guangzhou Shaxi Hotel.

Demerger of Shenyang Xinji Industrial

In May 2017, our Controlling Shareholders, through various companies controlled by them, began cooperating with an Independent Third Party in developing an exhibition and commercial complex (the "**Project**"). Having considered that (i) Shenyang Xinji Industrial owned the land to be developed under the Project (the "**Project Land**") and (ii) the need to set up a new vehicle to share the costs and profit relating to the Project with the Independent Third Party, on 21 August 2017, Shenyang Xinji Industrial underwent a demerger and split into two companies, namely Shenyang Xinji Industrial and Liaoning Xinji Hongxing Commercial Real Estate Development Company Limited* (遼寧信基紅星商業地產開發有限公司) ("**Liaoning Hongxing**"). Following such demerger, the registered capital of Shenyang Xinji Industrial decreased by RMB28 million from RMB118 million to RMB90 million. Liaoning Hongxing was established in the PRC as a limited liability company by way of the above demerger with a registered capital of RMB28 million.

Pursuant to the demerger agreement entered into between Shenyang Xinji Industrial and Guangzhou Shaxi Hotel dated 31 August 2017, as at 31 August 2017, the land-use right of the Project Land having a carrying amount of approximately RMB109.9 million, other assets having a carrying amount of approximately RMB56.3 million and liabilities in the sum of approximately RMB151.0 million were allocated from the Shenyang Xinji Industrial to Liaoning Hongxing. Such sum of liabilities were based on the liabilities related to or arising from the assets allocated to Liaoning Hongxing. Both Shenyang Xinji Industrial and Liaoning Hongxing were wholly owned by Guangzhou Shaxi Hotel immediately after completion of the demerger, and Shenyang Xinji Industrial continued to be a subsidiary of our Group. On 11 December 2017, in order to delineate the business of property development, which is not within the business scope of our Group nor in line with our business strategies, from our Group, Guangzhou Shaxi Hotel transferred all its equity interests in Liaoning Hongxing to Guangdong Yingbin.

Xinji Huazhan

On 8 January 2016, Guangzhou Huazhan Exhibition transferred 5% and 5% equity interest in Xinji Huazhan to Mr. Cao Zijian and Mr. Tang Shusong, at a consideration of RMB150,000 and RMB150,000, respectively, which was determined based on the amount of paid up registered capital and was fully settled on 14 March 2018 and 26 March 2018, respectively. After completion of the aforementioned transfers, Xinji Huazhan was owned as to 51%, 39%, 5% and 5% by Xinji Company, Guangzhou Huazhan Exhibition, Mr. Cao Zijian and Mr. Tang Shusong, respectively.

Guangzhou Xinji Dajing

On 14 April 2017, Xinji Company and Mr. Gu Weibin transferred 3% and 2% equity interest in Guangzhou Xinji Dajing, respectively, to Mr. Mei Jiawei (the son of Mr. Mei) at nil consideration, due to the fact that both Xinji Company and Mr. Gu Weibin had not contributed their capital to Guangzhou Xinji Dajing after registering as shareholders.

On 6 December 2017, Shanghai Dajing Electronic transferred its 45% equity interest in Guangzhou Xinji Dajing to Shanghai Dingshang Advertising at a consideration of RMB450,000, which was determined based on the amount of paid up registered capital contributed previously.

After completion of the aforementioned transfers, Guangzhou Xinji Dajing was owned as to 45%, 25%, 12%, 5%, 5%, 5% and 3% by Shanghai Dingshang Advertising, Mr. Cheung (being held on trust by Mr. Zhang Bingquan), Xinji Company, Ms. Jin, Mr. Mei Jiawei, CHSA (being held on trust by an Independent Third Party) and Mr. Gu Weibin, respectively. During the period from the incorporation of Guangzhou Xinji Dajing to 20 April 2018, Mr. Cheung (being held on trust by Mr. Zhang Bingquan), Xinji Company, Ms. Jin, Mr. Mei Jiawei, CHSA (being held on trust by an Independent Third Party) and Mr. Gu Weibin were acting in concert over Guangzhou Xinji Dajing through following the instructions given by Mr. Cheung. The acting in concert arrangement was terminated when Mr. Zhang Bingquan (as the trustee of Mr. Cheung), Xinji Company and Mr. Mei Jiawei transferred their 25%, 12% and 5% equity interest, respectively, in Guangzhou Xinji Dajing to Guangzhou Shaxi Hotel on 20 April 2018.

DISPOSAL OF A SUBSIDIARY

On 5 January 2018, Guangzhou Shaxi Hotel disposed all its 73% equity interest in Guangzhou Yaodu to Xinji Company at the consideration of RMB7.3 million, which was determined based on the amount of paid up registered capital and was fully settled on 30 January 2018. As a result of the abovementioned disposal, Guangzhou Yaodu was owned as to 73% and 27% by Xinji Company and shareholders who, to the best knowledge and belief of our Directors, are Independent Third Parties, respectively. Upon completion of the abovementioned disposal, Guangzhou Yaodu ceased to be a subsidiary of our Group. The disposal aimed to streamline our Group's organisational structure and to focus on our principal business, as Guangzhou Yaodu was principally engaged in the provision of investment consulting services. As confirmed by the Directors, Guangzhou Yaodu had not been subject to any material non-compliance incidents, claims, litigations or legal proceedings during the Track Record Period before such disposal.

TRANSFER OF BUSINESS TO OUR GROUP

In August 2005, Xinji Dashi Home Furnishings Center (信基大石傢俬城), a home furnishing shopping mall owned and managed by Panyu Real Estate, commenced operations. Having considered that Panyu Real Estate engaged in both (i) operating home furnishing shopping mall and (ii) property development businesses, the latter of which is not within the business scope of our Group nor in line with our business strategies, Mr. Cheung, Mr. Mei and Mr. Zhang decided to exclude Panyu Real Estate from our Group and transfer Panyu Real Estate's home furnishing shopping mall operation business (the "**Included Business**") to one of our subsidiaries, Guangdong Xinji Household.

On 1 December 2018, Guangdong Xinji Household entered into a tenancy agreement with Panyu Real Estate, pursuant to which Guangdong Xinji Household leased the Xinji Dashi Home Furnishings Center from Panyu Real Estate for a period from 1 December 2018 to 30 November 2021. For details, please refer to the section headed "Connected Transactions" in this prospectus. In addition, Guangdong Xinji Household and Panyu Real Estate entered into supplemental agreements with each of the tenants of the Xinji Dashi Home Furnishings Center (the "**Household Center Tenants**") in late 2018, pursuant to which Panyu Real Estate transferred all its rights and obligations under the tenancy agreements entered into with the Household Center Tenants to Guangdong Xinji Household.

As a result of the foregoing, Panyu Real Estate ceased to engage in the Included Business, and the Included Business was taken up by Guangdong Xinji Household. The assets, liabilities and results of operations of the Included business was included in the consolidated financial statements of our Group up to 1 December 2018. For details, please refer to notes 1 and 16 of the Accountant's Report in Appendix I to this prospectus.

As confirmed by the Directors, Panyu Real Estate had not been subject to any material non-compliance incidents, claims, litigations or legal proceedings during the Track Record Period prior to such transfer of business.

TRUST ARRANGEMENTS IN RELATION TO OUR CONTROLLING SHAREHOLDERS

Throughout our business history, our Controlling Shareholders have been holding interests in our Group through various trust arrangements, details as follows:

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
Xinji Company	Since October 2018, Mr. Zhang Qingquan has been holding approximately 41.2% equity interests in Xinji Company on trust for Mr. Cheung.	Mr. Zhang Qingquan is the brother of Mr. Cheung.	In anticipation of the Listing and Mr. Cheung's decision to devote more time to the business development of our Group upon Listing, such trust arrangement was established in October 2018 to enable Mr. Zhang Qingquan to attend to various routines and enquiries from time to time relating to Xinji Company from different government authorities and business partners on Mr. Cheung's behalf with greater perceived authority and responsibility and in a more efficient manner.

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
	Shenyang Xinji Industrial:		
Shenyang Xinji Industrial, Shenyang Shaxi Hotel and Shenyang Shaxi Household	Since May 2009, Mr. Mei Yingpei had been holding equity interest equivalent to RMB5 million registered capital in Shenyang Xinji Industrial on trust for Xinji Company. Such trust arrangement was terminated when Mr. Mei Yingpei transferred all his approximately 4.2% equity interest in Shenyang Xinji Industrial to Guangzhou Shaxi Hotel on 21 August 2017. *Shenyang Shaxi Hotel:* Since the incorporation of Shenyang Shaxi Hotel, Mr. Mei Yingpei had been holding 10% of equity interest in Shenyang Shaxi Hotel on trust for Xinji Company. Such trust arrangement was terminated when Mr. Mei Yingpei transferred all his 10% equity interest in Shenyang Shaxi Hotel to Guangzhou Shaxi Hotel on 28 June 2018.	Mr. Mei Yingpei is the director and general manager of Shenyang Xinji Industrial, and the general manager of Shenyang Shaxi Hotel and Shenyang Shaxi Household.	Each of Shenyang Xinji Industrial, Shenyang Shaxi Hotel and Shenyang Shaxi Household were incorporated for the purpose of handling a shopping mall development project (the "**Development Project**") located in Shengyang, the PRC. Since their respective incorporations, Mr. Mei Yingpei has been stationed in Shenyang to lead the Development Project. Having considered the geographical convenience to Mr. Mei Yingpei in attending to various matters in connection with the Development Project, and the administrative convenience and greater perceived authority that a shareholder capacity would bring about, the Controlling Shareholders established such trust arrangement so that Mr. Mei Yingpei held, as trustee and nominal shareholder, a minority portion of equity interests in each of Shenyang Xinji Industrial, Shenyang Shaxi Hotel and Shenyang Shaxi Household.

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
	Shenyang Shaxi Household: Since the incorporation of Shenyang Shaxi Household, Mr. Mei Yingpei had been holding 10% of equity interest in Shenyang Shaxi Household on trust for Xinji Company. Such trust arrangement was terminated when Mr. Mei Yingpei transferred all his 10% equity interest in Shenyang Shaxi Household to Guangzhou Shaxi Hotel on 28 June 2018.		
Guangzhou Panyu Dashi	Since January 2015, Mr. Zhang Weiquan has been holding approximately 42.9% of equity interest in Guangzhou Panyu Dashi on trust for Mr. Cheung.	Mr. Zhang Weiquan is the brother of Mr. Cheung.	Such trust arrangement was out of Mr. Cheung's succession planning.
Guangzhou Xinji Dajing	Since the incorporation of Guangzhou Xinji Dajing, Mr. Zhang Bingquan had been holding 25% equity interest in Guangzhou Xinji Dajing on trust for Mr. Cheung. Such trust arrangement was terminated when Mr. Zhang Bingquan transferred all his 25% equity interest in Guangzhou Xinji Dajing to Guangzhou Shaxi Hotel on 20 April 2018.	Mr. Zhang Bingquan is the cousin of Mr. Cheung, and the director of Guangzhou Xinji Dajing.	Such trust arrangement was out of Mr. Cheung's succession planning.

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
Guangdong Yingbin	During the period from the incorporation of Guangdong Yingbin to 8 May 2009, Mr. Zhang had been holding approximately 27.85% and 27.85% equity interest in Guangdong Yingbin on trust for Mr. Cheung and Mr. Mei, respectively. Since 8 May 2009, Mr. Zhang has been holding 42.9% and 7.9% equity interest in Guangdong Yingbin on trust for Mr. Cheung and Mr. Mei, respectively.	Mr. Zhang is one of our founders, Controlling Shareholders and executive Directors.	In July 2007, the Controlling Shareholders decided to set up a joint venture company with an Independent Third Party, with the Controlling Shareholders and the Independent Third Party respectively holding 65% and 35% equity interest. To simplify the establishment process, as well as out of Mr. Cheung's succession planning as mentioned above, the Controlling Shareholders agreed Mr. Zhang should act as a nominee of the trio (in the proportion of 3:3:1) to establish the joint venture company with the Independent Third Party. On 8 May 2009, the Independent Third Party transferred all of his 35% equity interest in Guangdong Yingbin to Mr. Mei. As a result, Guangdong Yingbin was owned as to 65% and 35% by Mr. Zhang and Mr. Mei, respectively, and the Controlling Shareholders further agreed that the beneficial and underlying economic interests in Guangdong Yingbin should be adhered to those as previously agreed among the trio (in the proportion of 3:3:1).

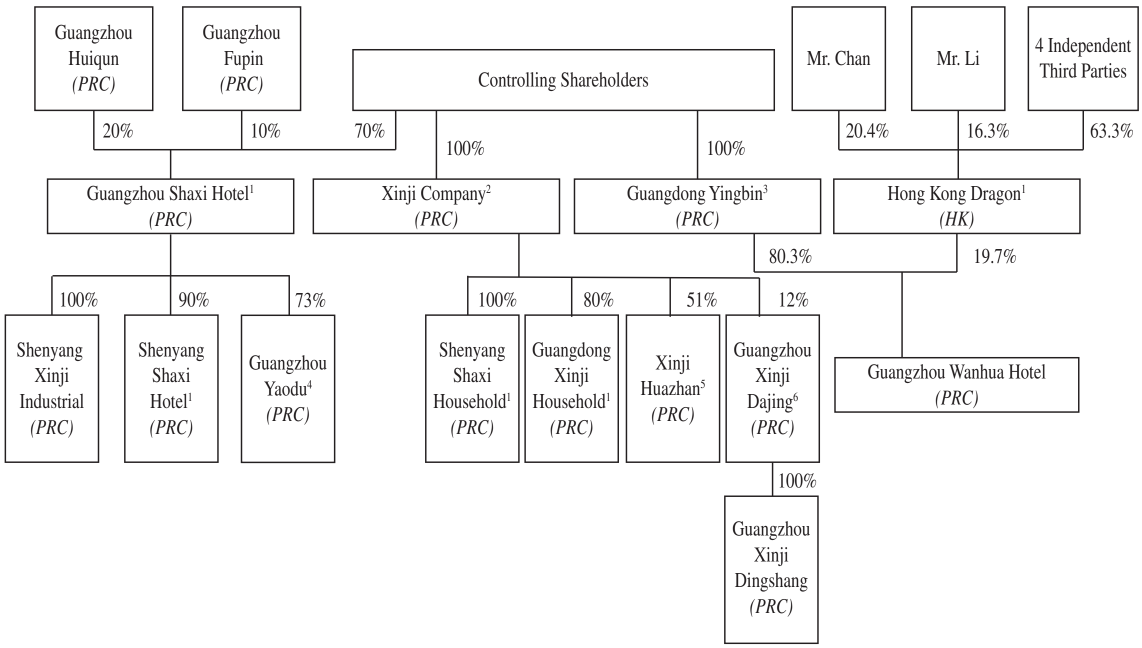
Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
Shunwell International	Since 22 June 2009, Mr. Cheung has been holding approximately 42.9% and 14.2% of shareholding interest in Shunwell International on trust for Mr. Mei and Mr. Zhang, respectively.	Mr. Cheung is the chairman of the Board, chief executive officer of our Company, and one of our founders and Controlling Shareholders.	Being a permanent resident of Hong Kong, Mr. Cheung is exempt from foreign exchange registration in PRC for offshore investment. As such, the Controlling Shareholders established such trust arrangement to simplify the process for the acquisition of Shunwell International.

As confirmed by our PRC Legal Advisers, the trust arrangements relating to the above subsidiaries of our Group did not violate any laws or regulations in the PRC. Our PRC Trust Legal Advisers confirmed that the trust arrangements of Xinji Company, Guangzhou Panyu Dashi and Guangdong Yingbin were valid and did not violate any laws and regulations in the PRC. Our Hong Kong Legal Counsel confirmed that the deed relating to the trust arrangement of Shunwell International did not violate any laws and regulations in Hong Kong.

REORGANISATION

Corporate Structure immediately prior to the Reorganisation

The following chart sets forth the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. For details relating to the equity ownership, please refer to the paragraph headed "Our Group Structure and Corporate History — Information on material operating subsidiaries of our Group" in this section.

2. Xinji Company was owned as to approximately 41.2% by Mr. Cheung, 41.2% by Mr. Mei and 17.6% by Mr. Zhang.

3. Guangdong Yingbin was owned as to 42.9% by Mr. Cheung (being held on trust by Mr. Zhang), 42.9% by Mr. Mei (7.9% of which being held on trust by Mr. Zhang) and 14.2% by Mr. Zhang. For details, please refer to the paragraph headed "Trust Arrangements in relation to our Controlling Shareholders" in this section.

4. Guangzhou Yaodu was owned as to 73% and 27% by Guangzhou Shaxi Hotel and Independent Third parties, respectively.

5. Xinji Huazhan was owned as to 51%, 39%, 5% and 5% by Xinji Company, Guangzhou Huazhan Exhibition, Mr. Cao Zijian and Mr. Tang Shusong, respectively.

6. Guangzhou Xinji Dajing was owned as to 45%, 25%, 12%, 5%, 5%, 5% and 3% by Shanghai Dingshang Advertising, Mr. Cheung (being held on trust by Mr. Zhang Bingquan), Xinji Company, Ms. Jin, Mr. Mei Jiawei, CHSA (being held on trust by an Independent Third Party) and Mr. Gu Weibin, respectively.

Major Reorganisation steps

In preparation for the Listing, we have carried out the Reorganisation which involved the following material steps:

Step 1: Disposal of Guangzhou Yaodu

On 5 January 2018, Guangzhou Shaxi Hotel disposed all its 73% equity interest in Guangzhou Yaodu to Xinji Company at the consideration of RMB7.3 million. For details, please refer to the paragraph headed "Our Group Structure and Corporate History — Disposal of a Subsidiary" in this section.

Step 2: Incorporation of Guangzhou Xinji Commerce and Guangdong Xinji Exhibition

On 30 January 2018, Guangzhou Xinji Commerce was established under the laws of the PRC as a limited liability company with a registered capital of RMB1 million. Since incorporation, Guangzhou Xinji Commerce has been owned as to 55% by Guangzhou Shaxi Hotel, 35% by Mr. Liang Dexiang and 10% by Mr. Chen Shaochang. To the best knowledge and belief of our Directors, Mr. Liang Dexiang and Mr. Chen Shaochang are Independent Third Parties save for their respective shareholding in Guangzhou Xinji Commerce.

On 14 June 2018, Guangdong Xinji Exhibition was established under the laws of the PRC as a limited liability company with a registered capital of RMB10 million. Since incorporation, Guangdong Xinji Exhibition has been wholly owned by Guangzhou Shaxi Hotel.

Step 3: Acquisition of Guangdong Xinji Household, Xinji Huazhan, Guangzhou Xinji Dajing, Shenyang Shaxi Hotel, Shenyang Shaxi Household and Guangzhou Wanhua Hotel by Guangzhou Shaxi Hotel

(a) Acquisition of 100% equity interest in Guangdong Xinji Household by Guangzhou Shaxi Hotel

On 29 March 2018, Guangzhou Shaxi Hotel acquired 80% and 20% equity interest in Guangdong Xinji Household from Xinji Company and Guangzhou Panyu Dashi at a consideration of RMB1.6 million and RMB0.4 million, respectively, which was determined based on the amount of paid up registered capital and were fully settled on 27 April 2018. After completion of the aforementioned transfers, Guangdong Xinji Household was wholly owned by Guangzhou Shaxi Hotel.

(b) Acquisition of 80% equity interest in Xinji Huazhan by Guangzhou Shaxi Hotel

On 31 March 2018, Guangzhou Shaxi Hotel acquired 51% equity interest in Xinji Huazhan from Xinji Company at a consideration of RMB1,530,000, which was determined based on the amount of paid up registered capital and was fully settled on 17 May 2018. On 23 August 2018, Guangzhou Shaxi Hotel acquired 29% equity interest in Xinji Huazhan from Guangzhou Huazhan Exhibition at nil consideration due to the net liabilities of Xinji Huazhan.

After completion of the aforementioned transfers, Xinji Huazhan was owned as to 80%, 10%, 5% and 5% by Guangzhou Shaxi Hotel, Guangzhou Huazhan, Mr. Cao Zijian and Mr. Tang Shusong, respectively.

(c) Acquisition of 42% equity interest in and capital injection to Guangzhou Xinji Dajing by Guangzhou Shaxi Hotel

On 20 April 2018, Guangzhou Shaxi Hotel acquired 25%, 12% and 5% equity interest in Guangzhou Xinji Dajing from Mr. Zhang Bingquan (as the trustee of Mr. Cheung), Xinji Company and Mr. Mei Jiawei, respectively, at a consideration of RMB500,000, RMB240,000 and RMB100,000, respectively, which was determined based on the amount of paid up registered capital and was fully settled on 30 May 2018.

On 20 April 2018, Guangzhou Shaxi Hotel increased its contribution in the registered capital of Guangzhou Xinji Dajing from RMB2 million to RMB2.9 million. After completion of the aforementioned transfers and the increase in registered capital, Guangzhou Xinji Dajing was owned as to approximately 60%, 31.0%, 3.5%, 3.5% and 2.0% by Guangzhou Shaxi Hotel, Shanghai Dingshang Advertising, Ms. Jin, CHSA (being held on trust by an Independent Third Party) and Mr. Gu Weibin, respectively.

(d) Acquisition of 10% equity interest in Shenyang Shaxi Hotel by Guangzhou Shaxi Hotel

On 28 June 2018, Guangzhou Shaxi Hotel acquired 10% equity interest in Shenyang Shaxi Hotel from Mr. Mei Yingpei (as the trustee of Xinji Company) at a consideration of RMB1 million, which was determined based on the amount of paid up registered capital and was fully settled on 30 July 2018. After completion of the aforementioned equity transfer, Shenyang Shaxi Hotel was wholly owned by Guangzhou Shaxi Hotel.

(e) Acquisition of 100% equity interest in Shenyang Shaxi Household by Guangzhou Shaxi Hotel

On 28 June 2018, Guangzhou Shaxi Hotel acquired 90% and 10% equity interest in Shenyang Shaxi Household from Xinji Company and Mr. Mei Yingpei (as the trustee of Xinji Company), respectively, at a consideration of RMB9 million and RMB1 million, respectively, which was determined based on the amount of paid up registered capital and was fully settled on 27 July 2018. After completion of the aforementioned transfers, Shenyang Shaxi Household was wholly owned by Guangzhou Shaxi Hotel.

(f) Acquisition of 100% equity interest in Guangzhou Wanhua Hotel by Guangzhou Shaxi Hotel

On 1 August 2018, Guangzhou Shaxi Hotel acquired approximately 19.7% legal interest in Guangzhou Wanhua Hotel from Hong Kong Dragon at a consideration of RMB0.5 million, which was determined based on commercial negotiation, having considered that, among others, our Company would issue and allot certain amount of Shares to Real Smart Investment. For details, please refer to the paragraph headed "Reorganisation – Step 9: Change of shareholdings in our Company". The consideration was fully settled on 20 September 2018.

On 13 August 2018, Guangzhou Wanhua Hotel was converted from a sino-foreign joint venture enterprise to a private company in the PRC as Hong Kong Dragon ceased to be a shareholder of Guangzhou Wanhua Hotel.

On 23 August 2018, Guangzhou Shaxi Hotel acquired approximately 80.3% legal interest in Guangzhou Wanhua Hotel from Guangdong Yingbin at a consideration of RMB74,277,572, which was determined based on commercial negotiation and was fully settled on 28 August 2018. After completion of the aforementioned transfers, Guangzhou Wanhua Hotel was wholly owned by Guangzhou Shaxi Hotel.

Step 4: Incorporation of Zuoting Investment, Zhongzhi Holding, Weixin Development, Honchuen Investment, Huiqun Investment, Yuxing Holding and Fupin Investment

On 31 May 2018, each of Zuoting Investment, Zhongzhi Holding, Weixin Development and Honchuen Investment was incorporated as a company under the laws of BVI with limited liability, and was wholly owned by Mr. Mei, Mr. Zhang, Mr. Zhang and Mr. Cheung, respectively.

On 6 June 2018, Huiqun Investment was incorporated as a company under the laws of BVI with limited liability. On 6 July 2018, 1,000 fully paid shares were allotted and issued to shareholders who are, to the best knowledge and belief of our Directors, Independent Third Parties, all of which were shareholders of Guangzhou Huiqun.

On 6 June 2018, each of Yuxing Holding and Fupin Investment was incorporated as a company under the laws of BVI with limited liability. After several allotments of shares to their respective shareholders on 28 June 2018 and a transfer of shares of Fupin Investment on 25 October 2018, Yuxing Holding was owned as to 20%, 20%, 6%, 6%, 2% and 46% by Mr. Zhang Weiquan, Mr. Zhang Jiajian, Mr. Zhang Jiajun, Mr. Mei Yingteng, Mr. Zhang Bingquan and other shareholders who are Independent Third Parties, respectively, and Fupin Investment was owned as to 10%, 10%, 6%, 6%, 5%, 3% and 60% by Yuxing Holding, Mr. Mei Yingbo, Mr. Zhang, Mr. Zhang Qingquan, Mr. Mei Yingpei, Mr. Zhang Weiquan and an Independent Third Party, respectively.

Step 5: Incorporation of our Company

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 27 July 2018. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. Upon incorporation, one Share was allotted and issued to the initial subscriber, and such Share was transferred at par to Fupin Investment on the same date. On 27 July 2018, 4,436 Shares, 2,882 Shares, 1,235 Shares, 965 Shares, 433 Shares and 48 Shares were allotted and issued to Zhongzhi Holding, Zuoting Investment, Weixin Development, Huiqun Investment, Fupin Investment and Yuxing Holding, respectively.

As a result, our Company was owned as to approximately 44.4%, 28.8%, 12.4%, 9.6%, 4.3% and 0.5% by Zhongzhi Holding, Zuoting Investment, Weixin Development, Huiqun Investment, Fupin Investment and Yuxing Holding, respectively.

Step 6: Incorporation and acquisition of Xinji Shaxi Holding

On 24 July 2018, Xinji Shaxi Holding was incorporated as a company under the laws of BVI with limited liability. On 31 July 2018, one fully paid share was allotted and issued to Mr. Cheung. On 28 August 2018, our Company acquired one share in Xinji Shaxi Holding, representing 100% of the issued share in Xinji Shaxi Holding from Mr. Cheung at the consideration of US$1.00. As a result, Xinji Shaxi Holding became a direct wholly-owned subsidiary of our Company.

Step 7: Incorporation of Hong Kong Xinji and Guangzhou Xinji

On 28 August 2018, Hong Kong Xinji was incorporated under the laws of Hong Kong with limited liability. On the same day, 10,000 fully paid shares of HK$1 each were allotted and issued to Xinji Shaxi Holding. As a result, Hong Kong Xinji was wholly owned by Xinji Shaxi Holding and was an indirect wholly-owned subsidiary of our Company.

On 25 September 2018, Guangzhou Xinji was established under the laws of the PRC as a wholly foreign-owned enterprise with a registered capital of RMB1 million. At the time of incorporation, Guangzhou Xinji was wholly owned by Hong Kong Xinji and was an indirect wholly-owned subsidiary of our Company.

Step 8: Subscription of approximately 6.1% equity interest in Guangzhou Shaxi Hotel by Dragon International

On 24 October 2018, Dragon International agreed to contribute approximately RMB0.8 million and RMB4.1 million to Guangzhou Shaxi Hotel's registered capital and capital reserve, respectively, which is determined based on the value of the relevant equity interests of Guangzhou Shaxi Hotel assessed by an independent valuer, in exchange for approximately 6.1% equity interest in Guangzhou Shaxi Hotel. As a result, Guangzhou Shaxi Hotel became a sino-foreign joint venture enterprise owned as to approximately 27.1%, 27.1%, 11.6%, 18.7%, 9.4% and 6.1% by Mr. Cheung, Mr. Mei, Mr. Zhang, Guangzhou Huiqun, Guangzhou Fupin and Dragon International, respectively. As at the Latest Practicable Date, Dragon International was co-owned by Mr. Chan, Mr. Lin Mingxin, Mr. Li and Ms. Liang Yujing.

Step 9: Change of shareholdings in our Company

On 13 December 2018, (i) there were series of share transfers among our Shareholders and allotments of Shares by our Company; (ii) Yuxing Holding transferred all its shareholding in our Company to Fupin Investment; and (iii) 3,075 Shares were allotted and issued to Real Smart Investment at par value in consideration of Hong Kong Dragon transferring its shares in Guangzhou Wanhua Hotel to Guangzhou Shaxi Hotel at a consideration of RMB0.5 million. As a result of the above transfers and allotments, our Company was owned as to approximately 38.6%, 24.6%, 13.3%, 7.8%, 6.1%, 5.0% and 4.6% by Honchuen Investment, Zuoting Investment, Weixin Development, Huiqun Investment, Real Smart Investment, Zhongzhi Holding and Fupin Investment, respectively.

As at the Latest Practicable Date, Real Smart Investment was owned as to 27.8% by Mr. Chan, 27.8% by Mr. Lin Mingxin (being held on trust by Mr. Chan), 22.2% by Mr. Li (being held on trust by Mr. Chan), and 22.2% by Ms. Liang Yujing (being held on trust by Mr. Chan), all of which were shareholders of Hong Kong Dragon. To the best knowledge of the Directors, the remaining shareholders of Hong Kong Dragon, namely Ms. Liang Wenli and Mr. Ma Ching Wing, opted not to participate in the Listing and sold their rights to the Shares to the Controlling Shareholders at a total consideration of RMB34,179,570.67.

Step 10: Transfer of Business

On 1 December 2018, Panyu Real Estate transferred its home furnishing shopping mall operation business to Guangdong Xinji Household. For details, please refer to the paragraph headed "Our Group Structure and Corporate History — Transfer of Business to our Group" in this section.

Step 11: Acquisition of Guangzhou Shaxi Hotel by Guangzhou Xinji and Hong Kong Xinji

On 25 December 2018, Hong Kong Xinji agreed to acquired approximately 6.1% shareholding interest in Guangzhou Shaxi Hotel from Dragon International at nil consideration as Dragon International had not contributed its capital to Guangzhou Shaxi Hotel.

On 25 December 2018, Guangzhou Xinji agreed to acquired approximately 27.1%, 27.1%, 11.6%, 18.7% and 9.4% shareholding interest in Guangzhou Shaxi Hotel from Mr. Cheung, Mr. Mei, Mr. Zhang, Guangzhou Huiqun and Guangzhou Fupin, respectively at a consideration of RMB21,554,000, RMB21,554,000, RMB9,235,200, RMB14,956,400 and RMB7,482,200, respectively, which were determined based on the value of the equity interests assessed by an independent valuer and were fully settled by 31 January 2019.

On 14 January 2019, Hong Kong Xinji agreed to contribute RMB299 million as the registered capital of Guangzhou Xinji, which is payable within 30 years from the date of issuance of Guangzhou Xinji's business license. On 19 February 2019, the shareholders of Guangzhou Shaxi Hotel passed a resolution to increase its registered capital by approximately RMB286.7 million from approximately RMB13.3 million to RMB300 million, which is payable by Guangzhou Xinji on or before 31 December 2039.

After completion of the aforementioned transfers and increase in registered capital, Guangzhou Shaxi Hotel was owned as to approximately 99.7% and 0.3% by Guangzhou Xinji and Hong Kong Xinji, respectively, and became an indirect wholly-owned subsidiary of our Group.

Step 12: Pre-IPO Investment

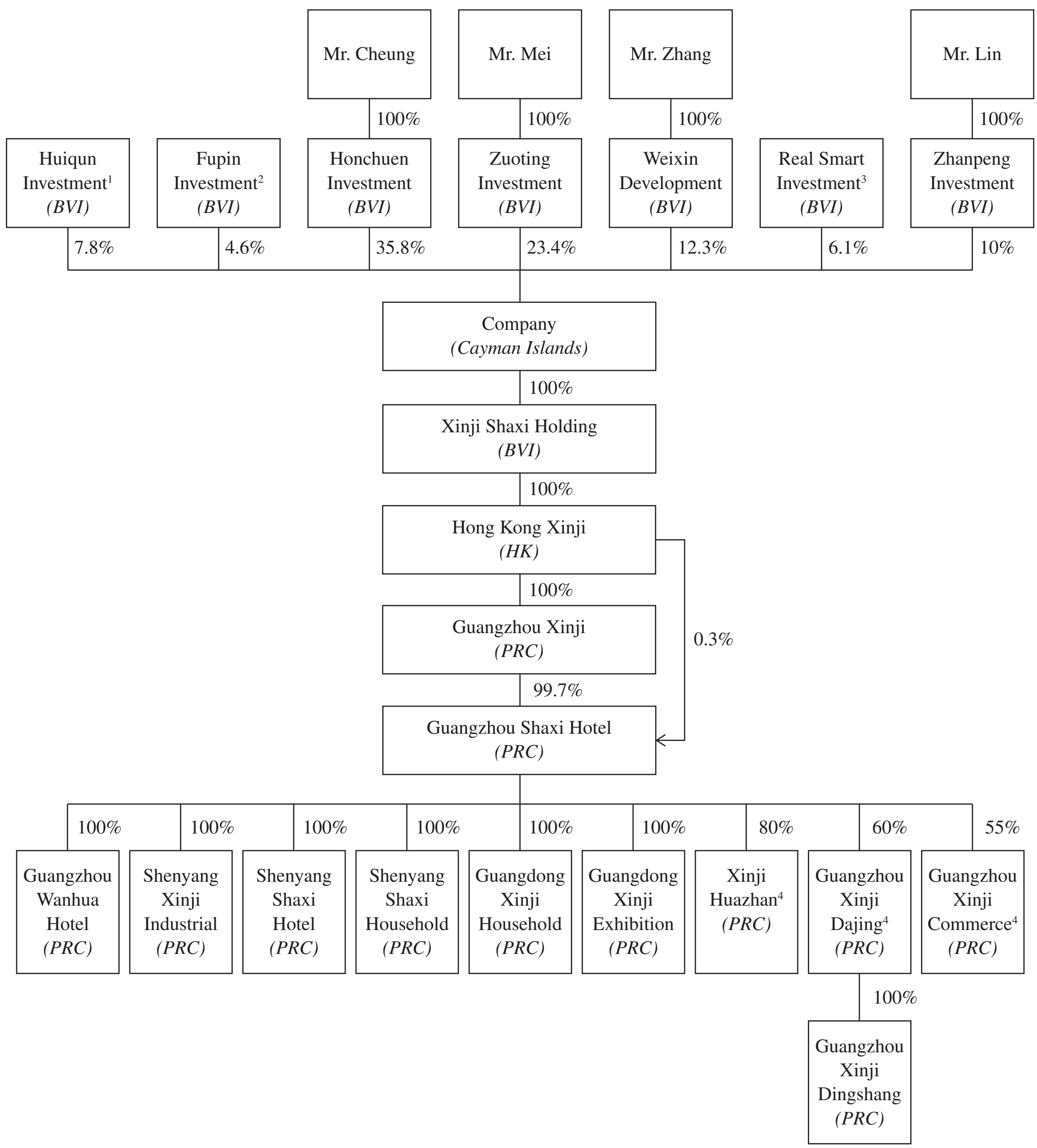
On 30 January 2019, Zhanpeng Investment (i) conditionally agreed to subscribe for 2,632 Shares allotted and issued by our Company at the consideration of HK$65 million; and (ii) acquired 1,329 Shares, 845 Shares and 458 Shares from Honchuen Investment, Zuoting Investment and Weixin Development, at the consideration of approximately HK$32.8 million, HK$20.9 million and HK$11.3 million, respectively. As a result, our Company was owned as to approximately 34.2%, 21.7%, 11.8%, 7.4%, 5.8%, 4.8%, 4.3% and 10.0% by Honchuen Investment, Zuoting Investment, Weixin Development, Huiqun Investment, Real Smart Investment, Zhongzhi Holding, Fupin Investment and Zhanpeng Investment, respectively. For details of the Pre-IPO Investment, please refer to the paragraph headed "Pre-IPO Investment" in this section.

Step 13: Withdrawal of Zhongzhi Holding

On 14 February 2019, due to change in reorganisation plan and in order to simplify our shareholding structure, Zhongzhi Holding withdrew from our Group by transferring all its approximately 1.6%, 1.6%, 0.6%, 0.4%, 0.3% and 0.2% of the issued Shares to Honchuen Investment, Zuoting Investment, Weixin Development, Huiqun Investment, Real Smart Investment and Fupin Investment, respectively. As a result, our Company as owned as to approximately 35.8%, 23.4%, 12.3%, 7.8%, 6.1%, 4.6% and 10.0% by Honchuen Investment, Zuoting Investment, Weixin Development, Huiqun Investment, Real Smart Investment, Fupin Investment and Zhanpeng Investment, respectively.

Corporate Structure immediately upon completion of the Reorganisation

The following chart sets forth the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation but before the Global Offering and the Capitalisation Issue:



Notes:

1. To the best knowledge and belief of our Directors, Huiqun Investment is 100% owned by Independent Third Parties.

2. Fupin Investment is owned as to 10%, 10%, 6%, 6%, 5%, 3% and 60% by Yuxing Holding, Mr. Mei Yingbo, Mr. Zhang, Mr. Zhang Qingquan, Mr. Mei Yingpei, Mr. Zhang Weiquan and a shareholder who, to the best knowledge and belief of our Directors, is an Independent Third Party, respectively. Yuxing Holding is owned as to 20%, 20%, 6%, 6%, 2% and 46% by Mr. Zhang Weiquan, Mr. Zhang Jiajian, Mr. Zhang Jiajun, Mr. Mei Yingteng, Mr. Zhang Bingquan and shareholders who are, to the best knowledge and belief of our Directors, Independent Third Parties, respectively.

3. Real Smart Investment is owned as to 27.8% by Mr. Chan, 27.8% by Mr. Lin Mingxin (being held on trust by Mr. Chan), 22.2% by Mr. Li (being held on trust by Mr. Chan), and 22.2% by Ms. Liang Yujing (being held on trust by Mr. Chan).

4. For details relating to the equity ownership, please refer to the paragraph headed "Our Group Structure and Corporate History — Information on material operating subsidiaries of our Group" in this section.

PRE-IPO INVESTMENT

Our Company, Mr Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development entered into the Pre-IPO Investment Agreement with Zhanpeng Investment, pursuant to which (i) Zhanpeng Investment conditionally agreed to subscribe for 2,632 Shares allotted and issued by our Company at the consideration of HK$65 million; and (ii) Zhanpeng Investment acquired 1,329 Shares, 845 Shares and 458 Shares from Honchuen Investment, Zuoting Investment and Weixin Development, at the consideration of approximately HK$32.8 million, HK$20.9 million and HK$11.3 million, respectively.

The table below sets forth the major terms and details of the Pre-IPO Investments:

Name of the pre-IPO investor	Zhanpeng Investment
Date of the Pre-IPO Investment Agreement	30 January 2019
Number of Shares subscribed for and acquired and the percentage of shareholding immediately after completion of the Pre-IPO Investment	5,264 Shares (10%)
Total amount of consideration paid	HK$130 million
Date of full payment of the consideration and completion date of the Pre-IPO Investment	11 February 2019
Number of Shares and the approximate percentage of shareholding upon Listing[1]	120,000,000 Shares (8.0%)
Cost per Share paid[2]	HK$1.083

Premium to the Offer Price[3]	8.3%
Use of proceeds from the Pre-IPO Investment	HK$65 million was paid to Honchuen Investment, Zuoting Investment and Weixin Development for the acquisition of Shares; and the remaining HK$65 million was used for payment of listing expenses. As at the Latest Practicable Date, approximately 52% of the proceeds from the Pre-IPO Investment has been utilised.

Notes:

1. The figures did not take into account of any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

2. Cost per Share paid is calculated by dividing the total consideration paid by the Pre-IPO Investor by the total number of Shares held by such Pre-IPO Investor immediately after the completion of the Capitalisation Issue and the Global Offering.

3. The premium to the Offer Price is calculated based on the assumption that the Offer Price is HK$1.0 per Share, being the mid-point of the indicative Offer Price range of HK$0.90 to HK$1.10. The premium was determined based on the fact that the Pre-IPO Investor was (i) confident in the prospect of our Group and would like to establish long-term cooperation with us; and (ii) entitled to nominate one Director before the Listing.

According to the Pre-IPO Investment Agreement, the Pre-IPO Investor shall be entitled to (i) nominate one Director before the Listing; and (ii) request the Controlling Shareholder to repurchase the Shares of the Pre-IPO Investor if the listing of our Company does not take place. The Pre-IPO Investor is not subject to any lock-up arrangement after the Listing, except for the restriction on not disposing the Shares to the competitors of our Group. No special rights granted to the Pre-IPO Investor shall survive upon Listing.

As Zhanpeng Investment (which is wholly owned by Mr. Lin) will hold less than 10% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering and is an Independent Third Party, the Shares held by Zhanpeng Investment shall be considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules.

Background of the Pre-IPO Investor

Zhanpeng Investment is a company incorporated under the laws of the BVI with limited liability on 9 November 2018 and is wholly owned by Mr. Lin. Mr. Lin has approximately 11 years of experience in real estate development. He is the shareholder, executive director and legal representative of Shanghai Shenglong Investment Co., Ltd.* (上海升龍投資集團有限公司), which principally engaged in real estate development in the PRC. He was granted the Excellent Contribution Award from the Australia China Economics, Trade & Culture Association and served as its Honorary Chairman in June 2018. Our Group was approached by Mr. Lin as he would like to cooperate with an experienced shopping mall operator to run the malls owned by him. The source of funding of Zhanpeng Investment was from an Australian company which is wholly-owned by the son of Mr. Lin who customarily acts according to the instruction of Mr. Lin.

Strategic benefits of the Pre-IPO Investment

Our Directors believe that our Group may benefit from (i) the experience of Mr. Wu Jianxun, the non-executive Director nominated by the Pre-IPO Investor, in real estates, investment and banking industries. Please refer to the section headed "Directors and senior management — Board of directors and senior management — Directors — Non-executive Directors" for the background and working experience of Mr. Wu Jianxun; and (ii) Mr. Lin's experience in real estate industry as well as the working capital provided. In addition, our Directors believe that the Pre-IPO Investment demonstrated the confidence of Mr. Lin, who is a real estate developer and an experienced investor, in the prospect of our Group and the hospitality supplies and home supplies sales markets in the PRC.

Basis of determination of the consideration

The consideration of the Pre-IPO Investment was arrived at after arm's length negotiations between our Company and the Pre-IPO Investor with reference to (i) the prospects of our Group; (ii) the valuation of our Group with regards to the price-to-earnings ratio for the year ended 31 December 2018 based on the management accounts of the Group for the year ended 31 December 2018; and (iii) percentage of shareholdings of the Pre-IPO Investor immediately upon completion of the Pre-IPO Investment.

View of the Sole Sponsor

The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Guidance Letters HKEx-GL29-12 and HKEx-GL43-12 (as amended and updated in July 2013 and March 2017) of the Stock Exchange.

CAPITALISATION ISSUE AND GLOBAL OFFERING

Capitalisation Issue

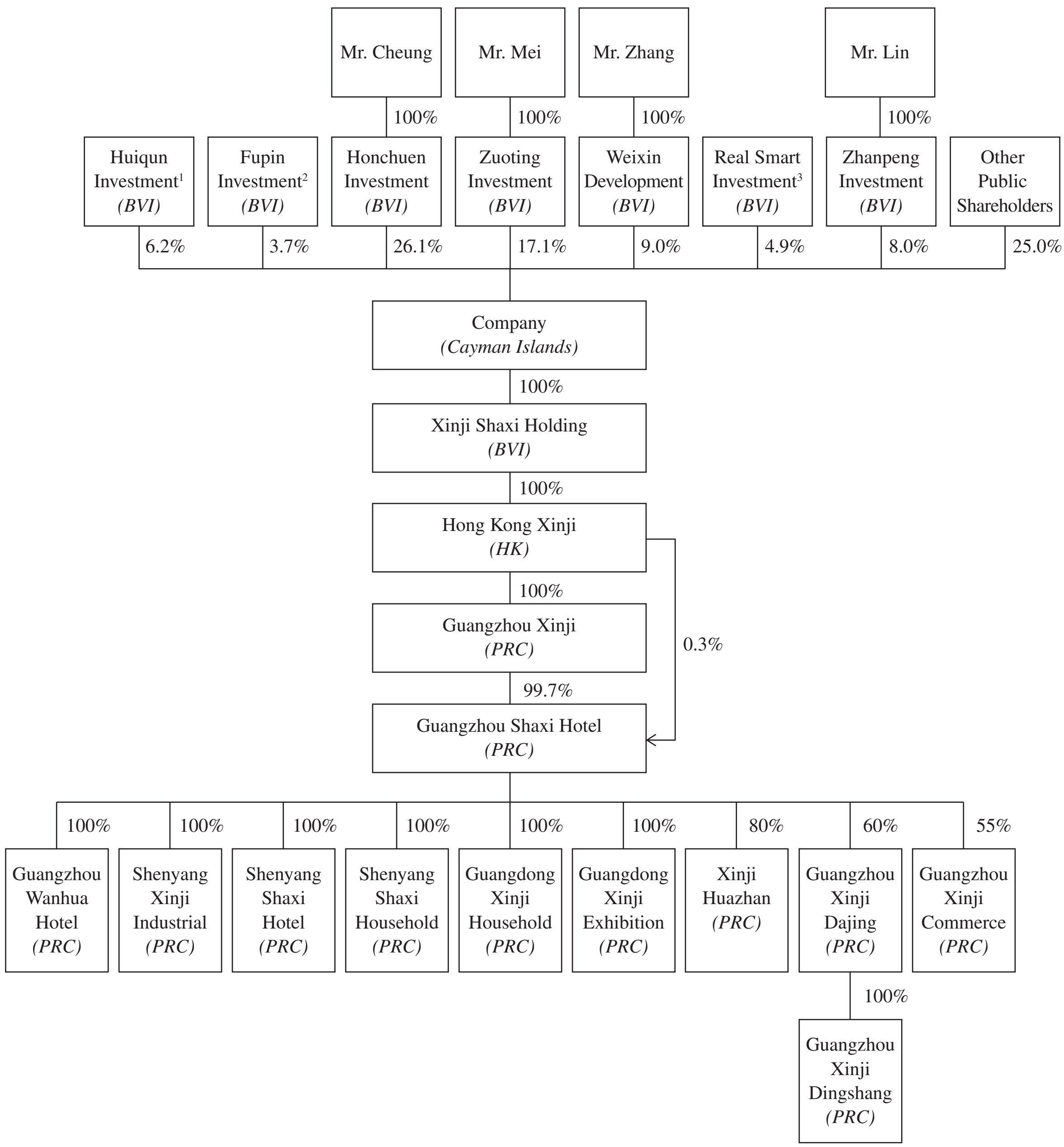
Pursuant to the resolutions of our Shareholders passed on 3 October 2019, our Directors are authorised to allot and issue a total of 1,199,947,368 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the closing of business on 7 November 2019 in proportion to their shareholdings by way of capitalisation of the sum of approximately HK$11,999,473.68 standing to the credit of the share premium account of our Company.

Global Offering

Please see the section headed "Structure and Conditions of the Global Offering" for details.

Corporate Structure

The following chart sets forth our shareholding and corporate structure immediately after completion of the Capitalisation Issue and the Global Offering, taking no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme:



Notes:

1. To the best knowledge and belief of our Directors, Huiqun Investment is 100% owned by Independent Third Parties. As Huiqun Investment will hold less than 10% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering and is wholly owned by Independent Third Parties, the Shares held by Huiqun Investment shall be considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules.

2. Fupin Investment is owned as to 10%, 10%, 6%, 6%, 5%, 3% and 60% by Yuxing Holding, Mr. Mei Yingbo, Mr. Zhang, Mr. Zhang Qingquan, Mr. Mei Yingpei, Mr. Zhang Weiquan and a shareholder who, to the best knowledge and belief of our Directors, is an Independent Third Party, respectively. Yuxing Holding is owned as to 20%, 20%, 6%, 6%, 2% and 46% by Mr. Zhang Weiquan, Mr. Zhang Jiajian, Mr. Zhang Jiajun, Mr. Mei Yingteng, Mr. Zhang Bingquan and shareholders who are, to the best knowledge and belief of our Directors, Independent Third Parties, respectively. As Fupin Investment is controlled by Mr. Zhang and the relatives of Mr. Zhang and Mr. Cheung, the Shares held by Fupin Investment shall not be considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules.

3. Real Smart Investment is owned as to 27.8% by Mr. Chan, 27.8% by Mr. Lin Mingxin (being held on trust by Mr. Chan), 22.2% by Mr. Li (being held on trust by Mr. Chan), and 22.2% by Ms. Liang Yujing (being held on trust by Mr. Chan). As Real Smart Investment will hold less than 10% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering and its shareholders are not the core connected persons of our Company, the Shares held by Real Smart Investment shall be considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that all requisite governmental approvals and permits in the PRC in relation to the Reorganisation in respect of our subsidiaries incorporated in the PRC as described in this section had been obtained and the procedures involved had been carried out in accordance with the PRC laws and regulations.

M&A RULES

Pursuant to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("M&A Rules"), foreign investors are required to obtain necessary approvals when (i) foreign investors acquire equity of shareholders of non-foreign investment enterprises in China, or subscribe to additional capital of domestic companies thereby converting such domestic companies into foreign investment enterprises (equity acquisition); or (ii) foreign investors establish foreign investment enterprises to acquire and operate assets of domestic enterprises by agreement, or acquire the assets of domestic enterprises by agreement and invest such assets to establish foreign investment enterprises for operation of such assets.

As Dragon International is independent from Guangzhou Shaxi Hotel and its ultimate beneficial owners, the Commerce Commission of Guangzhou Municipality (廣州市商務委員會) confirmed that (i) the capital contribution to Guangzhou Shaxi Hotel by Dragon International did not require the approval of MOFCOM; and (ii) before the acquisition of 93.85% shares in Guangzhou Shaxi Hotel by our wholly foreign-owned enterprise, namely Guangzhou Xinji, Guangzhou Shaxi Hotel is a sino-foreign equity joint venture, which does not belong to "domestic companies" based on M&A Rules. As such, as confirmed by our PRC Legal Advisers, the M&A Rules does not apply to the acquisition of 93.85% of the shares of Guangzhou Shaxi Hotel by the wholly foreign-owned enterprise, and no approval from the Ministry of Commerce or the China Securities Regulatory Commission is needed.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

Pursuant to SAFE Circular No. 37 issued by the SAFE, before a domestic resident contributes its legally-owned onshore or offshore assets and equity into an overseas special purpose vehicle, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. Pursuant to SAFE Circular No. 13, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As confirmed by our PRC Legal Advisers, the ultimate beneficial owners of Guangzhou Shaxi Hotel, who are PRC citizens or residents under SAFE Circular No. 37, including Mr. Mei and Mr. Zhang, have completed the process of initial registration pursuant to SAFE Circular No. 37 and SAFE Circular No. 13 by August 2018. One of the ultimate beneficial owners of Guangzhou Shaxi Hotel, Mr. Cheung, is a Hong Kong permanent resident under SAFE Circular No. 37. The relevant qualified bank responsible for reviewing and handing foreign exchange registration confirmed that SAFE Circular No. 37 and SAFE Circular No. 13 are not applicable to Mr. Cheung.

OVERVIEW

We are the largest operator of shopping malls for hospitality supplies in terms of operating areas as well as the rental revenue of hospitality supplies in China. As of 30 April 2019, we had three shopping malls for hospitality supplies and two shopping malls for home supplies located in Guangzhou and Shenyang in China, which together had a total GFA of approximately 363,079.82 sq.m., a total LFA of approximately 270,044.31 sq.m., a total leased LFA of approximately 230,068.03 sq.m. and an average occupancy rate of 85.2%[Note].

In October 2018, we entered into a cooperation agreement with an Independent Third Party pursuant to which we agreed to provide shopping mall operation services to other shopping mall owners for brand licencing fee and operation management fee. As at the Latest Practicable Date, it was expected that our first managed hospitality supplies shopping mall would commence operation in late 2019.

Set out below is a map of the locations of our shopping malls in China:

Note: Calculated as the percentage of total leased LFA over total LFA of our five shopping malls.

In order to complement the operation of our physical shopping malls and expand our O2O business operation model, in April 2018, we started to operate the Online Shopping Mall through the acquisition of Guangzhou Xinji Dajing, which has commenced its operation of the e-commerce business since September 2017.

To utilize our network and resources in the hospitality supplies industry, we also provide exhibition management services for the annual HOSFAIR in China.

The following table sets out our revenue by business segments during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental income:					
— Properties lease income	178,549	183,295	243,949	74,744	80,629
Revenue from contracts with customers:					
— Sales of goods	—	—	7,858	—	3,430
— Exhibition management service	6,235	5,509	5,697	—	—
— Properties management service	23,942	21,064	23,851	6,203	8,134
	30,177	26,573	37,406	6,203	11,564
Total	208,726	209,868	281,355	80,947	92,193

For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our revenue was approximately RMB208.7 million, RMB209.9 million, RMB281.4 million and RMB92.2 million, respectively.

OUR COMPETITIVE STRENGTHS

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

Our major shopping malls are located in the Guangdong Province, the most vital region in the production and distribution of hospitality supplies in China

According to the Industry Report, the Guangdong Province ranked first in China and contributed approximately 40% of the overall hospitality supplies market in terms of production value in 2018, and our brand, "信基沙溪 (Xinji Shaxi)", has become the leading player in the hospitality supplies industry. As of 30 April 2019, we had two shopping malls for hospitality supplies and one shopping mall for home furnishings located in Panyu in Guangzhou and the occupancy rate of each of our three shopping malls in Panyu in Guangzhou reached 95.9%, 100.0% and 100.0%, respectively. We believe that as the leading brand in the hospitality supplies industry, "信基沙溪 (Xinji Shaxi)" provides an excellent platform for continued growth in our business.

We have an established reputation and a proven track record

We started our shopping malls operation business in 2003 and since then we have accumulated over 15 years of experience in the shopping malls operation industry in China. In particular, we have a good reputation in the hospitality supplies shopping malls operation industry in China with a proven track record and have the capability of delivering our services on time and to the satisfaction of our tenants. In November 2014, our Xinji Shaxi (信基沙溪) was awarded as Guangdong Province National Famous Brand* (廣東省全國名牌) by Guangdong Industry Cooperation Association (廣東省工業合作協會). In November 2015, we were awarded as National Integrity Model Market (全國誠信示範市場) by 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). In 2018, we operated the largest hospitality supplies shopping mall in China in terms of operating areas and rental revenues, according to the Industry Report and we were awarded by the Guangdong Quality Brands Bureau* (廣東卓越質量品牌研究院) as Guangdong Top Brand (廣東省(行業類)名牌產品). We believe that our professional and quality services have been well recognised in the shopping malls operation industry. Although no industry specific qualification, license or permit is required to carry out shopping malls operation business in China, we believe that our established reputation, proven track record of managing shopping malls and our power of integration of resources would enable us to successfully compete with other shopping malls operators.

We have an experienced and stable management team with an in-depth knowledge of our industry

We are led by an experienced management team, which has extensive management and industry experience. In particular, Mr. Cheung, our chairman, executive Director, chief executive officer and founder, has over 15 years of experience in shopping malls operation in China. He has been chairman for CHSA since June 2013 and he is the pioneer and leader of China's hospitality supplies industry. Under the leadership of Mr. Cheung, we have experienced various economic cycles. The majority of our management team have over 8 years of experience and have built up extensive experience and knowledge in our industry and contributed to our Group's unique business model. For details of relevant experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management". We believe that the experience of our management team will continue to contribute to the success of our business and enable us to assess and manage risks in relation to our business operations.

We will benefit from our core relationship with CHSA for the foreseeable future

We initiated the establishment of CHSA and have been the chairman unit (會長單位) of CHSA since its foundation in June 2013. The CHSA is a national industrial association of companies engaged in hospitality supplies industry authorized by the Ministry of Civil Affairs of the PRC (中華人民共和國民政部). Currently, it has over 2,000 members in China. We believe our core relationship with CHSA will continue to provide us with access to CHSA's wide membership network across the China. We expect that our core relationship with CHSA will facilitate us to stay abreast of evolving industry trends and deepen our understanding of the market demands, enhancing our ability to source business opportunities.

OUR STRATEGIES

We intend to enhance our market position by implementing the following strategies:

Improve brand awareness to increase footfall and support tenant sales growth with our relationship with CHSA

We aim to improve brand awareness through high-profile promotion events. We have an ongoing association with CHSA and have launched a number of marketing events, industry conference, annual summit conference and brand building activities with CHSA, including the annual HOSFAIR and foreign visits by leaders of its member units. As part of our strategy going forward, we seek to continue to build upon our relationship with CHSA to increase our brand awareness. We also wish to continue to utilize and strengthen our power of integration of resources to expand our business in the future.

Expand our business by offering shopping mall management services

Leveraging on the expertise and valuable experience built up over the years in managing shopping malls, we intend to expand our business by franchising or licensing our "信基沙溪 (Xinji Shaxi)" brand and offering shopping mall management services to other property owners which are Independent Third Parties. Under this business model, we shall manage the shopping mall marketing and shopping mall management services such as operations management and lease management and planning the tenant mix for the shopping mall while our partners shall bear all the operating expenses of the shopping mall and pay us brand licencing fee and operation management fee. In October 2018, we entered into a cooperation agreement with an Independent Third Party pursuant to which we agreed to act as the shopping mall manager for a planned hospitality supplies shopping mall located in a commercial complex developed by the Independent Third Party in Hunan Province, China. For details, please refer to the section headed "— Our managed shopping malls". Given this business model can save our capital investment costs, we intend to rapidly expand our shopping mall management business and increase our market share. Currently, we are identifying potential partners in major cities in China and are in discussion with some target partners for our shopping mall management business. However, no specific term has been agreed. The table below sets out the targeted number of shopping mall management agreements to be entered into in the following years:

	From the Latest Practicable Date to 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Number of shopping mall management agreements	one to two	three to four	five to six

Expand our O2O platform to provide customers with an omni-channel retailing experience

Following the rapid development of e-commerce, we believe that consumers nowadays are increasingly expecting to interact with retailers across the O2O platform. We intend to position and align ourselves with the market trend through the use of online shopping in order to make the most benefits for us through convenience offered by online shopping. In April 2018, we started to operate our Online Shopping Mall through Guangzhou Xinji Dajing. For the year ended 31 December 2018 and the four months ended 30 April 2019, our Online Shopping Mall generated revenue in the amount of approximately RMB7.9 million and RMB3.4 million, respectively. We believe that our Online Shopping Mall will enhance public awareness of our brands and attract online customers including vendors and purchasers to our shopping malls and those consumers who have gained familiarity with our brands and experienced our services at our physical shopping malls will have greater confidence in products offered through our Online Shopping Mall. We plan to adopt an omni-channel approach by aligning and synchronising all our shopping malls to provide consumers of small and medium enterprises with a seamless and integrated shopping journey across the O2O platform. We plan to further expand and enhance our online shopping platforms (including those accessible through personal mobile devices) operated by ourselves or third parties at appropriate times in the future to maximise the business opportunities and profitability to our Group.

Continue focusing on Guangdong Province while pursuing suitable expansion and diversifying our business network and presence in other key cities in China

We plan to continue focusing on Guangdong Province, China, where we are positioned as the leader in the hospitality supplies industry. According to the Industry Report, Guangdong Province ranked first in China in terms of production and distribution of hospitality supplies for the year ended 31 December 2018. Leveraging on our experience in the shopping mall operation, we plan to pursue suitable expansion opportunities and diversify our business network and presence in other key cities in China. According to the Industry Report, the production value of hospitality suppliers for the year ended 31 December 2018 reached RMB1,818.2 billion, representing a CAGR of 6.9% from 2013 to 2018 and it is expected that China's hospitality supplies market will increase with a CAGR of 6.4% from 2018 to 2023.

In order to expand our business network and market share, we plan to expand our presence by launching three new shopping malls in Chengdu, Southern China and Central China upon conducting respective feasibility studies and research by utilizing a sum of approximately HK$174.3 million which represents approximately 73.9% of our net proceeds from the Global Offering. We believe that the reputation of our brand and our proven track record will bring trust and confidence to new customers in China. For details, please refer to the section headed "Future Plans and Use of Proceeds — Implementation Plans" in this prospectus.

OUR BUSINESS OPERATIONS

Our business operations comprise four main business segments: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) our managed shopping mall; (iii) our Online Shopping Mall; and (iv) our exhibition management business.

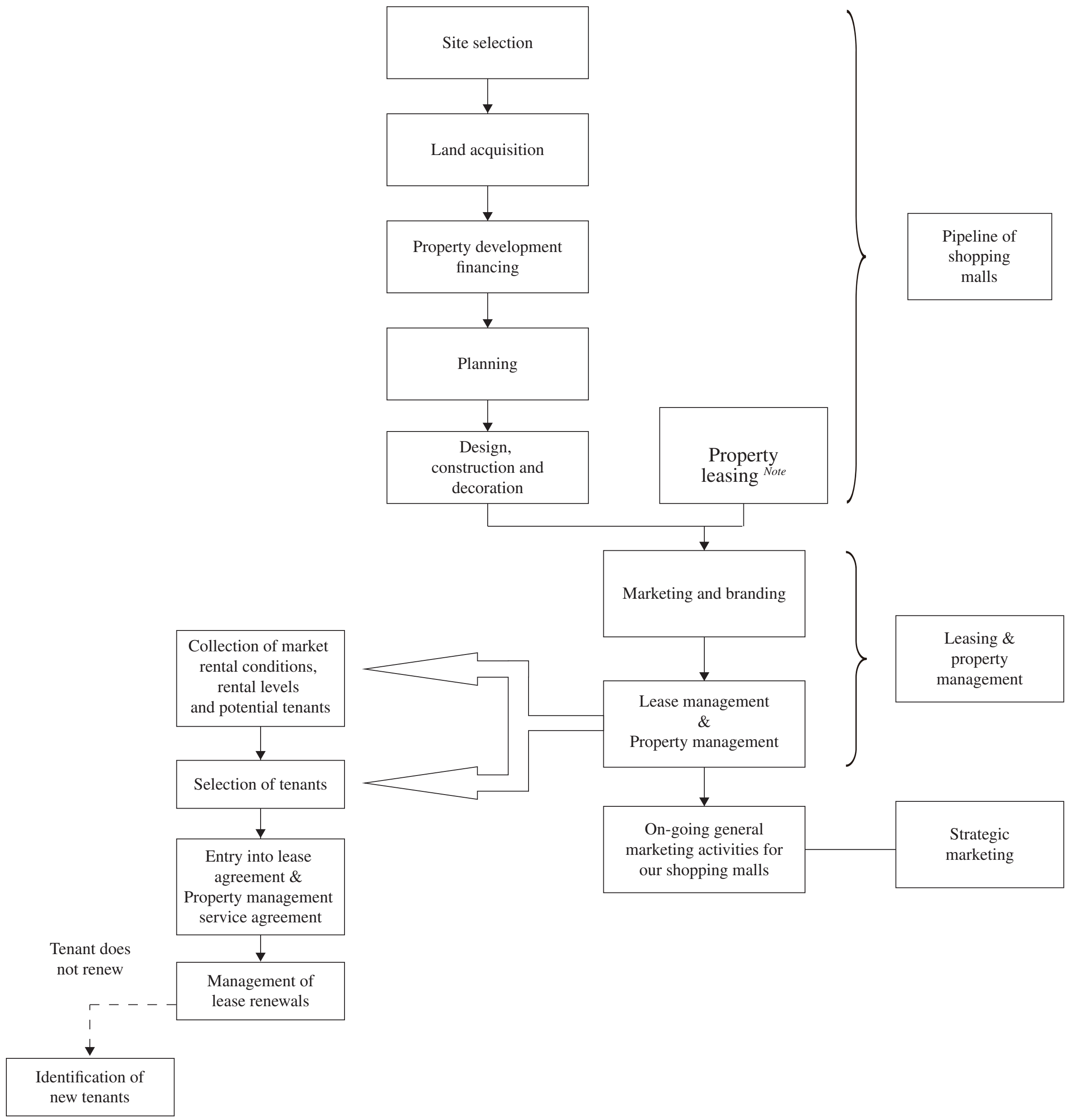
Our shopping malls

Business model

We lease or acquire pieces of land or property for our shopping mall operation business in PRC with a principal focus on shopping malls for hospitality supplies and home furnishings. We lease our shopping malls for recurring rental income, property management fee and promotion fee.

Business flow

The following diagram illustrates the key stages of our business.



Note: We entered into the Household Market Tenancy Agreement with Panyu Real Estate on 1 December 2018, pursuant to which we leased Xinji Dashi Home Furnishings Center (信基大石傢俬城) from Panyu Real Estate for the period from 1 December 2018 to 30 November 2021. For details, please refer to the section headed "Connected Transactions" and paragraph 1.3 "Basis of presentation" of the Accountant's Report set out in Appendix I of this prospectus in relation to the accounting treatment of the business operated on Xinji Dashi Home Furnishings Center.

Pipeline of shopping malls

This stage mainly include the following steps:

- site selection: we typically select sites in central areas of newly developed districts in economically developed cities and in urban centers for the development of our shopping malls. The key factors we consider in site selection include the following:
  - general economic conditions and development prospects of a city;
  - income levels and purchasing power of local residents;
  - population density of the local areas;
  - infrastructure, urban planning and the development plan of the local government; and
  - location in the city, proximity to the city center and access to transport and public facilities.
- land leasing or acquisition: once a site is selected, our investment development department commences the land leasing or acquisition process. We enter into land leasing agreements with relevant landlords or take part in the public tender, auction or listing-for-sale process organized by the relevant government authorities to obtain relevant land use rights for development of our shopping malls. Our land leasing agreements are generally 20 years and our land use rights obtained through public tender, auction or listing-for-sale are generally 40 years.
- property development financing: we typically use internally generated cash and interest-bearing bank and other borrowings to fund the construction costs of our shopping malls.
- planning: our executive Directors and senior management are responsible for formulating the master design concept and plan in accordance with our business development strategies.
- design, construction and decoration: once the master planning is finalized, we engage third-party designers and architects to prepare a more detailed architectural planning and design drawing and undertake construction and decoration of our shopping malls. Our investment development department work(s) closely with external designers and architects during the whole process.

Leasing & property management

- marketing and branding: Upon completion of decoration of our shopping malls, our project operation and management department will organise marketing and branding activities to promote our shopping malls. For details, please refer to the section headed "— Sales and marketing — Marketing and branding".

- lease management: Our project operation and management department is responsible for monitoring the market rental conditions and rental levels of similar properties located in similar areas to our shopping malls. When required to set rent for a lease, we benchmark against the prevailing market rent of comparable properties and take into account of the background information of the potential tenant. Our lease terms are generally fixed for two to four years. For details, see "— Customers — Lease agreements".

- property management: To keep our shopping malls in good condition and enhance our tenants' satisfaction, we have a project operation and management department to manage our shopping malls. We charge our tenants property management fees according to the terms of property management service agreements that we enter into with them. For details, see "— Customers — Property management service agreements".

Strategic Marketing

To increase footfall to our shopping malls, we continue to organise various marketing and branding activities to promote our shopping malls. For details, please refer to the section headed "— Sales and Marketing — Marketing and branding".

Portfolio

The table below sets out the basic information of our shopping malls as of 30 April 2019:

No.	Name	Location of building	Commencement date	Total GFA (approximately sq.m.)	Typical form of composition: Retail space (approximately sq.m.)	Warehouse (approximately sq.m.)	Advertising space (number)	Car park space (number)	Total revenue: For the year ended 31 December 2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	For the four months ended 30 April 2019 (RMB'000)
Shopping malls for hospitality supplies												
1	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC	December 2003	62,222.59	62,124.08	N/A	132	280	108,541	98,977	143,352	48,013
2	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	Northern side of Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC	July 2007	72,636.09	60,562.28	10,283.00	81	314	50,987	60,259	63,239	21,706
3	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	No. 59–1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	October 2014	88,416.03	48,933.43	N/A	74	261	10,689	10,155	14,941	4,843
Shopping malls for home furnishings												
4	Xinji Dashi Home Furnishings Center (信基大石傢俬城)	No. 105 Guo Road, Shangjiao Village, Dashi Street, Panyu District, Guangzhou City, Guangdong Province, PRC	August 2005	24,893.95	24,779.16	N/A	38	N/A	10,826	10,607	11,475	3,952
5	Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	No. 57–1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	October 2014	114,911.16	63,362.36	N/A	211	581	21,448	24,361	34,793	10,249

Occupancy rate

The table below sets out the occupancy rate of our shopping malls for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019:

			Total LFA				Total leased LFA				Occupancy rate			
			As of 31 December			As of 30 April	As of 31 December			As of 30 April	As of 31 December			As of 30 April
No.	Name	Location of building	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
			(approximately sq.m.)				*(approximately sq.m.)*				*(%)*			
Shopping malls for hospitality supplies														
1	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC	68,908.08	56,671.73	62,124.08 *(Note 1)*	62,124.08	67,716.32	56,065.19	51,840.31	59,579.61 *(Note 1A)*	98.3	98.9	83.4 *(Note 2)*	95.9
2	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	Northern side of Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC	70,237.48	70,845.28	70,845.28	70,845.28	59,801.03	62,110.53	70,845.28	70,845.28	85.1	87.7	100.0	100.0
3	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	No. 59-1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	48,933.43	48,933.43	48,933.43	48,933.43	24,448.68	22,683.11	24,477.23	24,713.30	50.0	46.4	50.0	50.5
Shopping malls for home furnishings														
4	Xinji Dashi Home Furnishings Center (信基大石傢俬城)	No. 105 Guo Road, Shangjiao Village, Dashi Street, Panyu District, Guangzhou City, Guangdong Province, PRC	24,893.95	24,893.95	24,779.16 *(Note 3)*	24,779.16	23,923.46	23,289.88	24,779.16	24,779.16	96.1	93.6	100.0	100.0
5	Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	No. 57-1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	63,362.36	63,362.36	63,362.36	63,362.36	39,736.26	51,164.05	48,514.04	50,150.68	62.7	80.7	76.6	79.1

Notes:

1. The decrease in the LFA of Xinji Shaxi Hospitality Supplies Expo Center in 2017 was due to the demolition of approximately 14,696.35 sq.m. of warehouse and retail space for the construction of the Guangzhou Shaxi metro station and the construction of approximately 2,460 sq.m. of new retail space, resulting in a total decrease of approximately 12,236.35 sq.m. of the LFA. The increase in the LFA in 2018 was due to the demolition of approximately 14,012.32 sq.m. of retail space and warehouse for the construction of the Guangzhou Shaxi metro station by the local authorities and the newly built retail space of approximately 19,464.67 sq.m. for lease, resulting in a total increase of approximately 5,452.35 sq.m. of the LFA.

1A. Despite the addition of 7,700 sq.m. (approximately 14.9% increase) in LFA, such new tenancy contracts only commenced from April 2019. For the impact of the revenue of the Group, please refer to the relevant paragraphs of the section headed ‘‘Financial Information’’ in this prospectus.

2. As of 31 December 2018, Xinji Shaxi Hospitality Supplies Expo Center had an LFA of approximately 62,124.08 sq.m., of which 1 block of building with an LFA of approximately 10,051.14 sq.m. was undergoing renovation with an estimated cost of approximately RMB8,598,000. As a result of the renovation, the occupancy rate recorded a decrease from 98.9% for the year ended 31 December 2017 to 83.4% for the year ended 31 December 2018. All retail spaces and exhibition halls were successfully leased to tenants upon completion of the renovation in March 2019. As at the Latest Practicable Date, the occupancy rate of Xinji Shaxi Hospitality Supplies Expo Center reached approximately 99.5%.

3. The decrease in the LFA of Xinji Dashi Home Furnishings Center from 24,893.95 sq.m. for the year ended 31 December 2017 to 24,779.16 sq.m. for the year ended 31 December 2018 was due to the conversion of approximately 114.79 sq.m into part of the fire exit area of the building as agreed between the tenant, the local authorities and our Group.

Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)

Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) is located at No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC with a total GFA of approximately 62,222.59 sq.m. and a total LFA of approximately 62,124.08 sq.m. in 2018. As of 30 April 2019, it consisted of approximately 62,124.08 sq.m. of retail space, approximately 132 advertising spaces and 280 car park spaces. This shopping mall commenced operation in December 2003. Our Xinji Shaxi Hospitality Supplies Expo Center recorded an occupancy rate of 98.3%, 98.9%, 83.4% and 95.9% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The renewal rate of tenants at the shopping mall was approximately 91%, 98%, 100% and 100% during the Track Record Period.

We strive to maintain our Xinji Shaxi Hospitality Supplies Expo Center as the nation's most well-known hospitality supplies wholesale market. It was awarded as the 2014 China's Hospitality Supplies Industry Leader Market (2014年度中國酒店用品行業領軍市場) by the CHSA in September 2015 and the National Integrity Model Market (全國誠信示範市場) by the 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) in November 2015. It was also recognized as the Guangdong Top Brand (廣東省(行業類)名牌產品) by the Guangdong Quality Brands Bureau* (廣東卓越質量品牌研究院) in December 2018. According to the Industry Report, this shopping mall is the largest shopping mall for hospitality supplies in Guangzhou and in China in terms of operating areas as well as rental revenue in 2018.

Our Xinji Shaxi Hospitality Supplies Expo Center benefits from its close proximity to the Panyu Shaxi exit of the South China Highway (華南快速幹線) in Guangzhou which attracts tenants and customers in the Guangdong Province. As of 30 April 2019, this shopping mall had a total operating area of approximately 62,124.08 sq.m. and 573 tenants selling various types of international and national hospitality supplies brands of different categories, including but not limited to glass and stainless-steel products, kitchen supplies, room supplies, bakery essentials, textiles, electrical appliances and utensils. With its large scale of operation providing all sorts of hospitality supplies, it has become a high-end one-stop shopping mall for consumers.

Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)

Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) (formerly known as Xinji Yingbin Hospitality Supplies Center (信基迎賓酒店用品城)) is located at Northern side of Yingbin Road, Shangjiao Village, Luopo Street, Panyu District, Guangzhou City, Guangdong Province, PRC near the Xiajiao Station of the Guangzhou Metro and the west exit of the Xinguang Highway (新光快速路) with a total GFA of approximately 72,636.09 sq.m. and a total LFA of approximately 70,845.28 sq.m.. Our Xinji Hotelex Hospitality Supplies Center recorded an occupancy rate of 85.1%, 87.7%, 100.0% and 100.0% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The renewal rate of tenants at the shopping mall was approximately 72%, 100%, 100% and 84% during the Track Record Period.

Xinji Hotelex Hospitality Supplies Center is one of the well-known hospitality supplies wholesale markets in Guangzhou. Together with our Xinji Shaxi Hospitality Supplies Expo Center, Xinji Hotelex Hospitality Supplies Center is among the largest shopping malls for hospitality supplies in Guangzhou and in China in terms of operating areas as well as rental revenue in 2018 according to the Industry Report.

As of 30 April 2019, it consisted of approximately 60,562.28 sq.m. of retail space, approximately 10,283.00 sq.m. of warehouse, approximately 81 advertising spaces and 314 car park spaces. This shopping mall commenced operation in July 2007. As of 30 April 2019, this shopping mall had a total operating area of approximately 70,845.28 sq.m. and 486 tenants selling various types of international and national hospitality supplies brands of different categories, including but not limited to glass and stainless-steel products, beverage essentials, kitchen supplies, room supplies, bakery essentials, textiles, electrical appliances and utensils.

Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)

Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) is located at No. 59–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC with a total GFA of approximately 88,416.03 sq.m. and a total LFA of approximately 48,933.43 sq.m.. It consists of five floors of retail space with a modern interior and is our first hospitality supplies shopping mall in Northeast China. This shopping mall recorded an occupancy rate of 50.0%, 46.4%, 50.0% and 50.5% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively as we have been gradually expanding and attracting tenants since its relatively short operating history from 2014. The renewal rate of tenants at the shopping mall during the Track Record Period was approximately nil, 0%, 76% and nil, respectively due to the absence of expiring lease for the year ended 31 December 2016. We recorded a renewal rate of 0% for the year ended 31 December 2017 as our tenant decided not to renew the lease with us due to commercial reasons. We were able to secure replacement tenant for the year ended 31 December 2018.

Our Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) provides consumers and retailers a one-stop and high-end shopping experience for hospitality products in Northeast China. It was recognized as the Appointed Procurement Agency of Liaoning Hotel Association (遼寧省飯店協會指定採購單位) by the Liaoning Hotel Association (遼寧省飯店協會) and the Best Procurement Agency for hospitality supplies (中國酒店用品最佳的採購基地) by the CHSA in March 2015. According to the Industry Report, it is the second largest professional market for hospitality supplies in Northeast China in terms of operating areas and rental revenue in 2018.

As of 30 April 2019, it consisted of approximately 48,933.43 sq.m. of retail space, approximately 74 advertising spaces and 261 car park spaces. This shopping mall commenced operation in October 2014. As of 30 April 2019, this shopping mall had a total operating area of approximately 48,933.43 sq.m. and 69 tenants who were mostly engaged in the wholesale of hospitality supplies of stainless-steel products, kitchen supplies, room supplies, textiles, furniture, beverage and cleaning essentials and utensils.

Xinji Dashi Home Furnishings Center (信基大石傢俬城)

Note: Xinji Dashi Home Furnishings Center is situated on the ground floor of the building.

Xinji Dashi Home Furnishings Center (信基大石傢俬城) is located at No. 105 Guo Road, Dashi Street, Panyu District, Guangzhou City, Guangdong Province, PRC with a total GFA of approximately 24,893.95 sq.m. and a total LFA of approximately 24,779.16 sq.m.. As of 30 April 2019, it consisted of approximately 24,779.16 sq.m. of retail spaces and approximately 38 advertising spaces. This shopping mall recorded an occupancy rate of 96.1%, 93.6%, 100.0% and 100.0% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The renewal rate of tenants at Xinji Dashi Home Furnishings Center was approximately 100%, 89%, 51% and nil during the Track Record Period. The decreasing renewal rate of tenants during the Track Record Period was resulted from a decrease in the number of expiring lease agreements and the decision of tenants not to renew their respective leases due to commercial and family reasons. Despite the decreasing renewal rate, we were able to secure replacement tenants after the departure of those who decided not to renew their lease agreements with us. There was no expiring lease for the four months ended 30 April 2019.

According to the Industry Report, Xinji Dashi Home Furnishings Center is one of the major competitors in the home supplies sales market in Guangzhou and it ranked approximately top 15 to 20 in terms of operating areas among all players in Guangzhou in 2018. Notwithstanding the smaller scale of operation compared to our Xinji Shaxi Home Furnishings Expo Center (Shenyang), Xinji Dashi Home Furnishings Center continues to provide a one-stop shopping experience to potential commercial and household consumers for office and home furnishings in the Guangdong Province. Xinji Dashi Home Furnishings Center was awarded as the Most Reliable Home Furnishings Mall (最受消費者信賴家居商場) by the Guangdong Construction Association* (廣東省建築材料行業協會) in December 2010 and the Favourite Mall 2016 for home furnishings (2016家居權力榜最受消費者喜愛賣場) recognized by the China Marketing Grand Ceremony (中國營銷盛典) organized by the Southern Metropolis Daily (南方都市報) in December 2016. Its marketing strategy focuses on providing consumers with cost-effective high quality home supplies products.

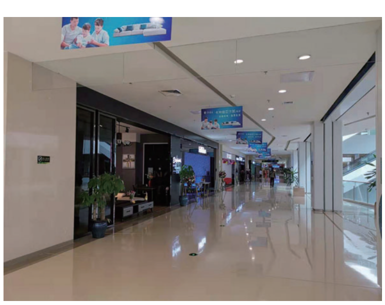
This shopping mall commenced operation in August 2005 and it was formerly managed by Panyu Real Estate. On 1 December 2018, as part of Reorganisation we entered into a Household Market Tenancy Agreement with Panyu Real Estate. Pursuant to the Household Market Tenancy Agreement, we leased this shopping mall from Panyu Real Estate for the period from 1 December 2018 to 30 November 2021 to continue operating Xinji Dashi Home Furnishings Center (信基大石傢俬城). For details, please refer to the section headed ''Connected Transactions''. Please refer to the section headed ''History, Corporate Structure and Reorganisation'' for details of the transfer of business to our Group. As of 30 April 2019, this shopping mall had a total operating area of approximately 24,779.16 sq.m. and 57 tenants selling various types of home supplies including office and home furniture and decorations.

Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)

Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) is located at No. 57–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC with a total GFA of approximately 114,911.16 sq.m. and a total LFA of approximately 63,362.36 sq.m.. This shopping mall recorded an occupancy rate of 62.7%, 80.7%, 76.6% and 79.1% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively as we have been gradually expanding and attracting tenants since its relatively short operating history from 2014. The renewal rate of tenants at Xinji Shaxi Home Furnishings Expo Center (Shenyang) was nil, 0%, 36% and 65% during the Track Record Period due to the absence of expiring lease for the year ended 31 December 2016. We recorded a renewal rate of 0% for the year ended 31 December 2017 as our tenant decided not to renew the lease with us due to commercial reasons. We were able to secure replacement tenant for the year ended 31 December 2018.

Our Xinji Shaxi Home Furnishings Expo Center (Shenyang) is a mid-to-high-end well-known home furnishings wholesale market in the north of Shenyang City. According to the Industry Report, it ranked top 10 among all shopping malls for home supplies in terms of operating areas in Shenyang in 2018. It was awarded as the Integrity Model Shopping Mall (誠信示範商場) by the Liaoning Home Supplies Association* (遼寧省家居裝飾業商會) in March 2016 and as the Outstanding Mall (優秀商場) by the Liaoning Furniture Association* (遼寧省家俱協會) in December 2017. Benefit from the rapid commercial and residential development in the Shenbeixin District, this shopping mall targets potential commercial and household consumers by offering a one-stop shopping experience for office and home furnishings in Northeast China.

As of 30 April 2019, it consisted of approximately 63,362.36 sq.m. of retail spaces, and approximately 211 advertising spaces and 581 car park spaces. This shopping mall commenced operation in October 2014. As of 30 April 2019, this shopping mall had a total operating area of approximately 63,362.36 sq.m. and 193 tenants selling various types of home supplies including office and home furniture, decorations and materials for construction and renovation.



Our managed shopping malls

In addition to operating our own shopping malls, we also provide shopping mall operation services to other shopping mall owners. Under this business model, we would be responsible for managing the shopping mall marketing and daily operation, and grant to them the right to use and market with our brand name while the shopping mall owners would be responsible for bearing all the operating expenses of the shopping mall and pay us brand licencing fee and operation management fee. Our brand licencing period would generally range from 10 to 20 years and the brand licencing fee would be determined with reference to the location and scale of relevant shopping mall. Our operation management fee would be determined with reference to the length of operation and the rental income of relevant shopping mall.

In October 2018, we entered into a cooperation agreement with Hunan Hongyue Commercial Management Company Limited* (湖南省泓嶽商業管理有限公司), an Independent Third Party. Pursuant to the cooperation agreement, we agreed to act as the shopping mall manager for a planned hospitality supplies shopping mall located in Yuetang International Trade City (岳塘國際商貿城) in No. 88 Hetang Section, Furong Avenue, Yuetang District, Xiangtan City, Hunan Province, China, a commercial complex developed by Hunan Hongyue Commercial Management Company Limited. It is expected that this shopping mall would have a total operating area of approximately 120,000 sq.m. and accommodated a maximum of 400 tenants. Hunan Hongyue Commercial Management Company Limited is the management company of the owner of Yuetang International Trade City. It was founded on 10 February 2015 with a registered capital of RMB200 million. It is a wholly-owned subsidiary of Hunan Zhonghong Investment Management Company Limited* (湖南省中弘投資管理有限公司), a property developer of Yuetang International Trade City and its business includes corporate management, property management and engineering project management. It is mainly responsible for the overall operation and property management of Yuetang International Trade City.

The following table sets out a summary of the major terms of the cooperation agreement:

(i)	Term	:	10 years starting from the date of commencement of commercial operation.
(ii)	Scope of the Services	:	We shall manage the shopping mall marketing and shopping mall management services such as operations management and lease management and planning the tenant mix for the shopping mall. The Independent Third Party shall bear all the operating expenses of the shopping mall.
(iii)	Fee Arrangement	:	We shall receive (i) a lump-sum brand licencing fee arrived at arm's length negotiation for the licensing and use of our "信基沙溪 (Xinji Shaxi)" brand at the shopping mall; and (ii) the quarterly operation management fee calculated by certain pre-determined rates multiply by the aggregated quarterly rental income for our provision of shopping mall marketing strategies, operation and management services.

(iv)	Termination	:	Our cooperation agreement does not contain a clause for early termination by notice.
(v)	Brand licensing fee	:	The lump-sum brand licensing fee of our "信基沙溪 (Xinji Shaxi)" brand for a period of 10 years to be received by our Group is RMB7 million, which equals to approximately RMB55,000/month excluding tax. The brand licensing fee will be paid by Hunan Hongyue Commercial Management Company Limited in two instalments: (i) RMB3 million to be paid within 10 days upon the arrival of our Group's management personnel at the managed shopping mall; and (ii) the remaining RMB4 million to be paid upon the commencement of operation of the managed shopping mall with an occupancy rate of 60%.
(vi)	Operation management fee	:	Operation management fee refers to certain pre-determined rates multiply by the aggregated quarterly rental income for our provision of shopping mall marketing strategies, operation and management services at the managed shopping mall to be paid by Hunan Hongyue Commercial Management Company Limited[(Note)].

Note: The project is expected to be commenced in the second half of 2019 and the operation management fee for 2019 will amount to approximately RMB1.47 million for the operating expenses incurred by our Group's personnel prior to the commencement of the managed shopping mall. Accordingly, our Group is forecast to record a revenue of approximately RMB1.5 million from the managed shopping mall during the six-month period ended 31 December 2019 as we are expected to receive an operation management fee of approximately RMB1.47 million and a brand licensing fee of approximately RMB55,000.

As at the Latest Practicable Date, it was expected that our first managed hospitality supplies shopping mall would commence operation in late 2019. We believe that this business model can save our capital investment costs and expand our shopping mall management business. However, our brand image might suffer if our managed shopping mall fails to attract tenants and customers or becomes unsuccessful. The operation of our managed shopping mall will also largely rely on the financial resources of the property owners who are responsible for the operating expenses. In order to mitigate the potential risks involved in this business model, similar to our own shopping malls, we will conduct feasibility studies and research on the location and transport facilities of any proposed properties of our new business partners and their corporate profile in the industry prior to the commencement of projects. We will also ensure that our expertise in management and operation of hospitality and home supplies shopping malls can be utilized in our managed shopping malls with the presence of our experienced personnel. We believe that our strong relationship with tenants of various international and domestic hospitality and home supplies brands is able to strengthen our influence in the industry and attract customers in our managed shopping malls.

Our Online Shopping Mall

To capture the business opportunities in the e-commerce industry and to complement the operation and sales of our traditional physical shopping malls, we expanded and diversified our operation into the Online Shopping Mall business upon our acquisition of Guangzhou Xinji Dajing in April 2018, which has entered into a strategic cooperation agreement with Beijing JingDong Century Trade Co., Ltd. (北京京東世紀商貿有限公司) ("**Jingdong**") in April 2017 for the purpose of setting up an online shopping mall for hospitality supplies and home furnishings at jd.com which commenced operation in September 2017. Since then, it has provided an alternative trading platform to hospitality suppliers and home furnishings providers to sell their products.

We have developed two business models under the e-commerce platform, namely (i) business-to-business model; and (ii) business-to-customer model. Under the business-to-business model, we coordinate with resourceful business partners such as the CHSA for the sale and distribution of hospitality products through our Online Shopping Mall to other business corporations. Under the business-to-customer model, we sell directly to consumers who are the end-users of the hospitality products through our Online Shopping Mall and other various online trading platforms.

Generally, we enter into online service agreements with hospitality supplies and home furnishings providers. The following table sets out a summary of the major terms of our online service agreements in general:

(i)	Term	:	Our online service agreements generally have a term of one year.
(ii)	Scope of the Services	:	We exhibit hospitality supplies and home furnishings at our Online Shopping Mall and forward orders we receive from customers to hospitality supplies and home furnishings providers which are Independent Third Parties. Upon receiving the orders forwarded by us, the relevant hospitality supplies and home furnishings providers shall arrange third-party logistics providers to deliver products to the customers. We also sell products supplied by Independent Third Parties directly to customers through this online platform.
(iii)	Sales Commission	:	Subject to the prescribed commission amount in the online service agreements, we require the hospitality supplies and home furnishings providers to provide a sales commission calculated by certain predetermined rates multiplied by the actual sales revenue at our Online Shopping Mall per month.

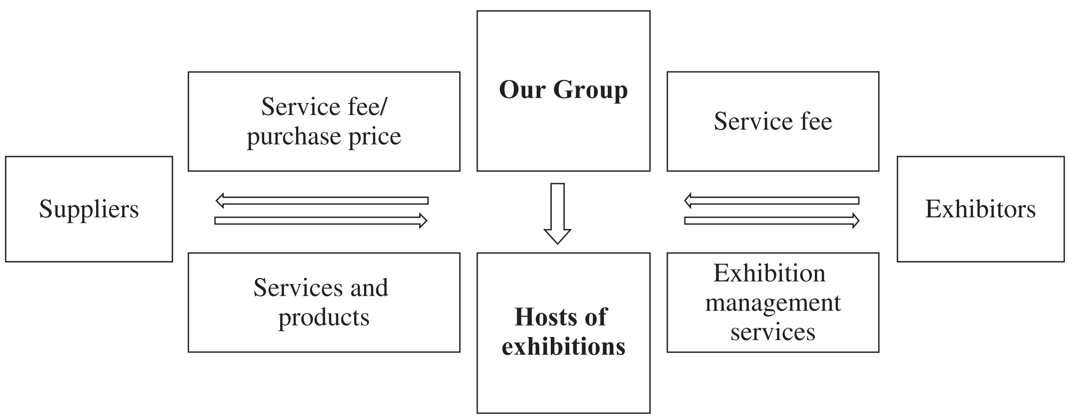
For the year ended 31 December 2018 and the four months ended 30 April 2019, we generated revenue in the amount of approximately RMB7.9 million and RMB3.4 million, for the sales of goods through our Online Shopping Mall. The sales of goods were entirely hospitality goods and the operating margin was -7.7% for the year ended 31 December 2018 due to the relatively high operating cost of the online trading platforms and we have offered discounts to our business partners and consumers as an incentive to purchase our products as the business was in the early stage of development. No sales commission was received from our hospitality and home furnishing suppliers during the Track Record Period due to the fact that the total number of orders forwarded by us did not exceed the prescribed commission amount. However, as we have just commenced operation of our Online Shopping Mall in April 2018, there is no assurance that we may be able to successfully compete with the other online retailers. For details, please refer to the section headed "Risk Factors — Risks relating to our business — We may not be able to successfully compete with other online trade operators, in particular we have only recently launched our Online Shopping Mall".

We are subject to relevant PRC laws and regulations for the operation of our Online Shopping Mall. Given that Guangzhou Xinji Dajing merely opens an online shopping mall and engages in online sales business through jd.com, but not engages in internet contents provision services of an operative nature, our PRC Legal Advisers consider that Guangzhou Xinji Dajing is not subject to the negative list under the foreign investment laws and regulations of the PRC, and it has obtained the requisite business license for the operation of the online shopping mall. With the increasing demand of online and O2O shopping experience from the consumers, our Directors consider that our Online Shopping Mall will be one of our strategic focuses regarding our business development in the coming future.

Our exhibition management business

We provide exhibition management services for the annual HOSFAIR in China. Under this business model, we are responsible for overall strategic planning, coordination and management of the exhibitions which include coordination with suppliers for setting up venues of the exhibitions, on-site supervision and post-exhibition review. We charge exhibitors exhibit fee calculated by the size of exhibition spaces multiplies a fixed unit price which is determined with reference to (i) estimated fee and charges payable to the suppliers; (ii) estimated labour costs; and (iii) our desired profit margin.

For illustrative purposes, the flow of our exhibition management business is outlined below:



Our major exhibitions

During the Track Record Period, our major managed exhibitions was the annual HOSFAIR. It provided an one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channel.

For the year ended 31 December 2016, 2017 and 2018, we generated revenue in the amount of approximately RMB6.2 million, RMB5.5 million and RMB5.7 million, respectively from the annual HOSFAIR. We did not generate any revenue for the four months ended 30 April 2019 as the organisation of the HOSFAIR takes place in August or September annually.

SUPPLIERS

Our major suppliers are construction contractors for our shopping malls located in Shenyang and advertising companies. Our business relationships with our top five suppliers during the Track Record Period commenced from 2013 to 2018. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the aggregate purchases from our top five suppliers accounted for approximately 51.9%, 74.0%, 46.9% and 87.8%, respectively, of our total purchases whilst the purchases from our largest supplier accounted for approximately 38.9%, 55.6%, 11.1% and 31.8%, respectively, of our total purchases for the corresponding year.

The table below sets out the background information of our top five suppliers during the Track Record Period:

For the year ended 31 December 2016

Ranking	Supplier	Principal business	Principal type of supplies procured	Year commencing relationship	Transaction amount for the year *(RMB'000)*	Approximate percentage of our purchase for the year *(%)*
1	Huazhou City Jiangong Construction Engineering Company Limited* (化州市建工建築工程有限公司)	Construction	Construction	2016	45,532	38.9
2	Liaoning Jindi Second Construction Engineering Company Limited* (遼寧金帝第二建築工程有限公司)	Construction	Construction	2016	6,957	5.9
3	Shenyang Shanmeng Jianshe Group Company Limited* (瀋陽山盟建設集團有限公司)	Construction	Construction	2013	3,347	2.9
4	Supplier A	Advertising and public relations	Advertising and public relations	2016	2,520	2.2
5	Supplier B	Advertising, sales and marketing	Advertising	2016	2,440	2.0
			Five largest suppliers combined		60,796	51.9
			All other suppliers		56,233	48.1
			Total purchase		117,029	100.0

For the year ended 31 December 2017

Ranking	Supplier	Principal business	Principal type of supplies procured	Year commencing relationship	Transaction amount for the year *(RMB'000)*	Approximate percentage of our purchase for the year *(%)*
1	Huazhou City Jiangong Construction Engineering Company Limited* (化州市建工建築工程有限公司)	Construction	Construction	2016	59,718	55.6
2	Guangdong Wuchuan Construction Installation Engineering Company Limited* (廣東吳川建築安裝工程有限公司)	Construction	Construction	2015	11,055	10.3
3	Shenyang Zhongtai Curtain Wall Engineering Company Limited* (瀋陽眾泰幕墻工程有限公司)	Decoration and construction	Construction	2016	3,849	3.6
4	Supplier C	Advertising	Advertising	2017	3,106	2.9
5	Supplier D	Advertising	Advertising	2016	1,780	1.6
			Five largest suppliers combined		79,508	74.0
			All other suppliers		27,970	26.0
			Total purchase		107,478	100.0

For the year ended 31 December 2018

Ranking	Supplier	Principal business	Principal type of supplies procured	Year commencing relationship	Transaction amount for the year (RMB'000)	Approximate percentage of our purchase for the year (%)
1	Zhongxing Construction Group Company Limited Dongguan Branch* (鐘星建設集團有限公司東莞分公司)	Construction	Construction	2018	2,509	11.1
2	Shenzhen City Keshun Waterproof Engineering Company Limited* (深圳市科順防水工程有限公司)	Construction, Waterproofing	Waterproof construction	2017	2,100	9.3
3	China Nanhang Group Cultural Media Company Limited* (中國南航集團文化傳媒股份有限公司)	Advertising and public relations, design and production	Advertising and public relations	2018	2,100	9.3
4	Guangzhou City Lanxi Electrical Equipment Company Limited* (廣州市藍西機電設備有限公司)	Construction	Construction	2018	2,091	9.2
5	Guangdong Wuchuan Construction Installation Engineering Company Limited* (廣東吳川建築安裝工程有限公司)	Construction	Construction	2015	1,828	8.0
				Five largest suppliers combined	10,628	46.9
				All other suppliers	12,032	53.1
				Total purchase	22,660	100.0

For the four months ended 30 April 2019

Ranking	Supplier	Principal business	Principal type of supplies procured	Year commencing relationship	Transaction amount for the four months ended 30 April 2019 (RMB'000)	Approximate percentage of our purchase for the four months ended 30 April 2019 (%)
1	Supplier E	Construction	Construction	2019	14,288	31.8
2	Zhongxing Construction Group Company Limited Dongguan Branch* (鐘星建設集團有限公司東莞分公司)	Construction	Construction	2018	11,837	26.3
3	Huazhou City Jiangong Construction Engineering Company Limited* (化州市建工建築工程有限公司)	Construction	Construction	2016	10,632	23.6
4	Guangdong Wuchuan Construction Installation Engineering Company Limited* (廣東吳川建築安裝工程有限公司)	Construction	Construction	2015	2,005	4.5
5	China Nanhang Group Cultural Media Company Limited* (中國南航集團文化傳媒股份有限公司)	Advertising and public relations, design and production	Advertising and public relations	2018	733	1.6
				Five largest suppliers combined	39,495	87.8
				All other suppliers	5,469	12.2
				Total purchase	44,964	100.0

As at the Latest Practicable Date, none of our Directors or their respective close associates or any of the Shareholders, whom to the knowledge of our Directors, owns more than 5% of the Shares of our issued share capital immediately upon the Listing, had any interest in any of our top five suppliers during the Track Record Period.

SALES AND MARKETING

Marketing and branding

During the Track Record Period, we promoted our shopping malls and identified suitable tenants mainly through our own marketing department, without engaging property agents.

As at the Latest Practicable Date, our marketing department totalled 79 staff. We regularly provide training to our marketing staff to enhance their marketing and sales abilities. Our marketing staffs are remunerated with a monthly basic salary. We also have an incentive bonus program to reward our marketing staff commensurate with their performance.

Promotional campaigns

During the Track Record Period, our marketing department organised different kinds of promotional campaigns or other events to stimulate and maintain consumers' interests in our shopping malls and their loyalty with our brand from time to time. Such events include seasonal or festival sales during key Chinese festivals, such as Chinese New Year. We negotiate with our tenants or other interested third parties and invite them to participate and provide discounts or gifts to customers at those sales or promotional events.

Our other marketing and branding activities mainly include placing advertisements through radio, internet, magazine, newspaper and MTR billboard and distributing leaflets, hosting of specific events and sponsoring industry forums. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we incurred approximately RMB45.7 million, RMB24.9 million, RMB9.3 million and RMB4.5 million, respectively, on marketing and advertising costs.

Pricing

Rent

We collect and update market information and compile market research reports from time to time. When required to set rent for a lease, we benchmark against the prevailing market rent of comparable properties. We normally negotiate rent with potential tenants or tenants who seek to renew their leases based on (i) the prevailing market rent level; (ii) the location to be leased; (iii) the term of the lease; and (iv) the credibility and reputation of the tenants.

Property management fee

We charge our tenants on a monthly basis for services we provide. The management fee is calculated by a unit price multiplying the total LFA occupied by the relevant tenant. We normally determine the unit price based on the prevailing market prices.

Promotion fee

We require our tenants at (i) Xinji Shaxi Hospitality Supplies Expo Center and (ii) Xinji Hotelex Hospitality Supplies Center to provide a one-off promotion fee calculated based on the (i) location to be leased; and (ii) total LFA in our shopping malls.

For pricing policy of our managed shopping mall, Online Shopping Mall and exhibition management business, please refer to the section headed "— Our managed shopping mall", "— Our Online Shopping Mall" and "— Our exhibition management business".

CUSTOMERS

The principal customers are tenants of our shopping malls and companies engaged in wholesale activities. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our five largest customers accounted for 4.8%, 5.1%, 5.1% and 6.2% of our revenue, respectively, and our single largest customer accounted for 1.6%, 1.5%, 2.0% and 2.6% of our revenue during the same periods, respectively.

The business relationship of our five largest customers with us during the Track Record Period commenced from 2009 to 2017.

The following table sets forth the information during the Track Record Period relating to our five largest tenants in terms of rental income:

For the year ended 31 December 2016

Ranking	Customer	Principal business activities	Year commencing relationship	Typical credit terms	Payment method	Revenue contributed for the year *(RMB'000)*	Revenue derived from the customer to our total revenue for the year *(%)*
1	Customer A	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	3,277	1.6
2	Guan Kaichang* (關開暢)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	2,949	1.4
3	Yang Shaohuai* (楊紹懷)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	1,425	0.7
4	Cai Zongwei* (蔡宗委)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	1,302	0.6
5	Customer B	Wholesale and retail of hospitality supplies	2015	15 days	By point of sale system or autopay	1,151	0.5
					Five largest customers combined	10,104	4.8
					All other customers	198,622	95.2
					Total revenue:	208,726	100.00

For the year ended 31 December 2017

Ranking	Customer	Principal business activities	Year commencing relationship	Typical credit terms	Payment method	Revenue contributed for the year (RMB'000)	Revenue derived from the customer to our total revenue for the year (%)
1	Customer A	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	3,204	1.5
2	Guan Kaichang* (關開暢)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	3,080	1.5
3	Jiang Jun* (姜俊)	Wholesale and retail of hospitality supplies	2016	3 years	By point of sale system or autopay	1,519	0.7
4	Cai Zongwei* (蔡宗委)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	1,490	0.7
5	Shenyang Hongyang Property Management Company Limited* (瀋陽宏陽物業管理有限公司)	Wholesale and retail of hospitality and home supplies, property management, food and beverage	2017	2 years	By point of sale system or autopay	1,446	0.7
					Five largest customers combined	10,739	5.1
					All other customers	199,129	94.9
					Total revenue:	209,868	100.00

For the year ended 31 December 2018

Ranking	Customer	Principal business activities	Year commencing relationship	Typical credit terms	Payment method	Revenue contributed for the year (RMB'000)	Revenue derived from the customer to our total revenue for the year (%)
1	Customer C	Wholesale and retail	2017	60 days	By autopay	5,456	2.0
2	Guan Kaichang* (關開暢)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	2,942	1.0
3	Jiang Jun* (姜俊)	Wholesale and retail of hospitality supplies	2016	3 years	By point of sale system or autopay	2,042	0.7
4	Tu Zhesheng* (塗哲生)	Wholesale and retail of hospitality supplies	2014	15 days	By point of sale system or autopay	1,991	0.7
5	Cai Zongwei* (蔡宗委)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	1,801	0.7
					Five largest customers combined	14,232	5.1
					All other customers	267,123	94.9
					Total revenue:	281,355	100.00

For the four months ended 30 April 2019

Ranking	Customer	Principal business activities	Year commencing relationship	Typical credit terms	Payment method	Revenue contributed for the four months ended 30 April 2019 *(RMB'000)*	Revenue derived from the customer to our total revenue for the four months ended 30 April 2019 *(%)*
1	Customer C	Wholesale and retail	2017	60 days	By autopay	2,428	2.6
2	Guan Kaichang* (關開暢)	Wholesale and retail of hospitality supplies	2009	15 days	By point of sale system or autopay	1,103	1.2
3	Tu Zhesheng* (塗哲生)	Wholesale and retail of hospitality supplies	2014	15 days	By point of sale system or autopay	805	0.9
4	Jiang Jun* (姜俊)	Wholesale and retail of hospitality supplies	2016	3 years	By point of sale system or autopay	716	0.8
5	Shenyang Hongyang Property Management Company Limited* (瀋陽宏陽物業管理有限公司)	Wholesale and retail of hospitality and home supplies, property management, food and beverage	2017	2 years	By point of sale system or autopay	647	0.7
					Five largest customers combined	5,699	6.2
					All other customers	86,494	93.8
					Total revenue:	92,193	100.0

As at the Latest Practicable Date, none of our Directors or their respective close associates or any of the Shareholders, whom to the knowledge of our Directors, owns more than 5% of the Shares of our issued share capital immediately upon the Listing, had any interest in any of our top five customers during the Track Record Period.

Tenant profile

We select tenants based on reputations, credit histories and sustainability of their businesses. Due to the scale of our operations, we have an extensive tenants base in our shopping malls. The following table sets out a few well-known brands offered in our shopping malls:

Category	
Electrical appliances	Panasonic, Gree Electric (格力), Vatti (華帝)
Kitchen supplies	Welbilt, Yuehai, Justa, Ice-o-matic, YuFuBao Kitchenware (裕富寶廚具), Sanneng Bakeware Corporation (三能器具), Cabinstore (卡賓多)
Door and window supplies	Tata, 展志天華, 英派
Utensils	Tojiro (藤次郎), Guangdong YAYU (廣東雅玉), Two Eight (潮州市二八陶瓷廠具), Guangdong Jinqiangyi (廣東金強藝), 三枚禾, 源山創
Glass products	Arc (法國弓箭), Ocean Glass, Divo (奧地利), Stone Island (石島), Tangdu, Schlözer
Wooden furniture	Seikobnaovs (精工邦威), 巴菲克, 歐迪木居, 生活家, 百世
Tiles	Marco Polo (馬可波羅), Huida (惠達)
Room supplies	Grelide (格來德), Homesun (奧達信), 紅蘋果, Bohao, 恆訊, 南方, 樂柏美, 英吉利
Textiles	依萊雅, 高珍雅

Lease agreements

We typically enter into a written lease agreement with our tenants. The following table sets out a summary of the major terms of our lease agreements in general:

(i)	Term	:	Our lease terms are generally fixed for two to four years.
(ii)	Rent-free Period	:	Subject to their compliance with the lease terms in the first year of their lease, we generally grant a rent-free period of around 3 to 15 months to our new tenants. As an incentive to attract new tenants and to encourage them to perform necessary preparation work for the commencement of business such as providing training to sales personnel and decorating the stores, we generally grant a rent-free period of 3 to 4 months to tenants at our three shopping malls in Guangzhou which are more established. As an incentive to attract new tenants, we generally grant a longer rent-free period of 15 months to tenants with a lease term of 3 years at our two newly opened shopping malls located at Shenyang for our business expansion in Northeast China. We have made reference to the market practice in Guangzhou and Shenyang when deciding the duration of rent-free period and we believe that the offer of rent-free period of 3 to 15 months to tenants at our shopping malls are in line with the industry norm.
(iii)	Renewal	:	In general, our tenants have an option to renew their leases for an additional term by providing a minimum of 180 days' notice prior to expiry of the lease terms. Tenants are generally deemed to have given up their option to renew if they fail to provide such notice within the prescribed period. Rent for the additional term is determined through negotiation between the tenant and us.
(iv)	Performance Guarantee	:	We require our tenants to provide and maintain a performance guarantee generally equal to one to two months' rent upon execution of the lease and throughout the entire lease term. The performance guarantee is unsecured and do not bear interest. Such performance guarantee is refunded to our tenants in the 4th month after the expiry of the lease and after the settlement of outstanding monies (if any).

(v) Promotion Fee	:	We require our tenants at our two shopping malls located at Guangzhou, Guangdong Province, China to provide a one-off promotion fee to supplement our costs on marketing and advertising incurred during their lease terms. This fee is non-refundable.
(vi) Rent	:	We receive a fixed rental fee from our tenants on a monthly basis. We generally impose a penalty fee up to 0.3% of overdue rent per day if our tenants delay their rent payment. We do not receive variable rent for our lease agreements.
(vii) Termination	:	Our lease agreements generally do not contain a clause for early termination by notice.

Addition and termination of lease agreements

The following table sets out information relating to movement in the number of lease agreements of our shopping malls during the Track Record Period:

	Number of lease agreements									
	As of 31 December 2016			As of 31 December 2017			As of 31 December 2018			As of 30 April 2019
Shopping malls	**Total**	**Addition**	**Termination**	**Total**	**Addition**	**Termination**	**Total**	**Addition**	**Termination**	**Total**
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	582	35	80	537	90	74	553	26	6	573
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	324	68	29	363	133	30	466	56	36	486
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	78	15	28	65	30	23	72	16	19	69
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	52	30	25	57	20	20	57	1	1	57
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	117	39	2	154	143	109	188	31	26	193
Total	1,153			1,176			1,336			1,378

Expiry of lease agreements

The following table sets out information relating to the expiry of our leases as at 30 April 2019:

Year of expiry of tenancy	Number of tenancy agreements	Expiring leases as percentage of total LFA	Rental income for the year ended 30 April 2019	Approximate percentage of our total rental income for the year ended 30 April 2019
		%	*RMB'000*	%
2019	290	12%	7,030	9%
2020	311	17%	12,942	16%
2021	504	28%	35,419	44%
2022 or beyond	410	26%	24,918	31%

During the Track Record Period, 179 tenants terminated their leases before expiration due to commercial and family reasons, and we were able to secure replacement tenants after their departure. We did not experience any default by our tenants during the Track Record Period which had a material adverse effect on our business and financial results.

Property management service agreements

We typically enter into a property management service agreement with our tenants at around the same time when we enter into the lease agreement with them. The following table sets out a summary of the major terms of our property management service agreements in general:

(i)	Term	:	The property management service agreements have the same term as the lease agreements.
(ii)	Scope of the Services	:	We provide general property management services to our tenants, including facility management services over the common floor areas, such as corridors, lavatories and lift lobby, maintaining proper lighting and air-conditioning in the area and providing security services.
(iii)	Service Fee	:	We charge our tenants a monthly service fee calculated based on the relevant LFA occupied by them.

Monthly rent of our shopping malls

Details of the monthly rent of each of our shopping malls during the Track Record Period are set forth below:

	Monthly rent *(approximately RMB per sq.m.)*			
Shopping malls	**For the year ended 31 December 2016**	**For the year ended 31 December 2017**	**For the year ended 31 December 2018**	**For the four months ended 30 April 2019**
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	124.2	136.1	217.9	190.5
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	55.3	71.2	65.5	67.4
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	29.7	29.6	42.5	40.6
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	37.7	38.0	38.6	39.9
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	38.6	32.6	49.4	40.8
Average monthly rent *(Note)*	69.0	70.9	92.2	87.6

Note: The Group's average monthly rent is calculated by total annual rent (or total rent for the four months ended 30 April 2019) of the Group's shopping malls divided by the total leased LFA and twelve (or four).

AWARDS

We have received awards from various organizations and governmental bodies in the PRC. The following table sets forth some key awards we received:

Date	**Awards**	**Granting authority**
December 2018	Guangdong Top Brand (廣東省(行業類)名牌產品)	Guangdong Quality Brands Bureau* (廣東卓越質量品牌研究院)
June 2017	Guangdong Provincial Contract and Credit Enterprises (廣東省守合同重信用企業)	Guangzhou Municipal Administration for Industry and Commerce (廣州市工商行政管理局)
November 2015	National Honest Demonstration Market Unit* (全國誠信示範市場單位)	State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局)

Date	Awards	Granting authority
September 2015	2014 China's Hotel Supplies Industry Leader Market (2014年度中國酒店用品行業領軍市場)	CHSA
September 2015	Best Organization for Hotel Supplies Exhibition at China (Guangdong) International Tourism Industry Expo 2015 (2015中國(廣東)國際旅游產業博覽會 — 酒店用品展最佳組織)	Organizing Committee of China (Guangdong) International Tourism Industry Expo (中國(廣東)國際旅游產業博覽會組委會)
March 2015	Appointed Procurement Agency of Liaoning Hotel Association (遼寧省飯店協會指定採購單位)	Liaoning Hotel Association (遼寧省飯店協會)
November 2014	Guangdong Province National Famous Brand* (廣東省全國名牌)	Guangdong Industry Cooperation Association* (廣東省工業合作協會)

MARKET COMPETITION

We primarily compete with other commercial property operators in the PRC. According to Industry Report, we operate the largest hospitality supplies shopping mall in China in terms of operating areas and rental revenues in 2018. For further information on our market position and the competitive landscape of the markets, see "Industry Overview".

We expect the competition in the commercial property market to persist and intensify. We will continue to leverage our market position to compete effectively, capture growth opportunities and gain market share as our business grows.

INSURANCE

We maintain insurance for (i) property all risk insurance; (ii) machinery damage insurance; (iii) property management insurance and (iv) third party liability insurance. Our insurance policies generally cover economic loss of or damage to the properties, the interior decoration or the inventory of our tenants stored in our shopping malls as well as other losses arising out of or in connection with the equipment and facilities in our shopping malls such as elevators and air conditioners. Our Directors believe that our practice is in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, we had not received any material third party liability claim relating to our business.

We consider our insurance policies to be adequate and in line with industry norms in China. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. For details, please refer to the section headed "Risk Factors — Risks relating to our business — We may not have adequate insurance to cover all losses and claims arising during the course of our operations".

INFORMATION TECHNOLOGY

We adopt IT systems for our business operations. Our IT systems record the key stage of our business operations and facilitate integration of the management and financial functions of our operations. Through our IT systems, we are able to reduce our labor and energy costs and operate our business effectively.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities.

FIRE PREVENTION

We are subject to the fire prevention law of the PRC. We pay special attention to fire safety as our shopping malls host a large crowd of customers and display a large volume of flammable wooden furniture and household electrical appliances. We endeavor to keep a high standard of fireproof facilities as well as relevant internal fireproof guidelines beyond the regulatory fireproof requirements.

In 2015, a fire accident occurred at the food court located on the fourth floor at Xinji Shaxi Home Furnishings Expo Center (Shenyang) due to a short circuit incident at the switch room. There were no injuries or casualties and we were ordered to pay a total fee of approximately RMB0.8 million for the compensation and renovation cost of the food court in 2016. Since the occurrence of the fire accident, we have implemented the following measures to further ensure compliance with fire prevention requirements and prevent similar accidents in the future:

- we have implemented a "fire and safety education and training code" which sets out in details the mandatory training to be received by our employees at all shopping malls, including but not limited to the content and frequency of the training;

- we have implemented an internal policy which requires our employees to participate in a regular training;

- we require tenants at our shopping malls to comply with certain rules and regulations on fire safety;

- we have in place an inspection code which provides a quarterly inspection plan on our tenants and their respective usage of electricity at our shopping malls;

- our qualified personnel will perform daily inspection on the electricity supply system at our shopping malls;

- we are committed to perform a compression test on the high voltage power supply system at our shopping malls on an annual basis;

- we prohibit our shopping mall staff and sales persons from smoking and encourage our customers to refrain from smoking; and
- we have in place a guidance code which sets out a detailed fire evacuation plan and evacuation practice by employees at our shopping malls.

Save as disclosed above, during the Track Record Period, we did not experience any accidents or claims for personal injury or property damage that, individually or in aggregate, have had a material effect on our financial condition and results of operations. Our Directors further confirmed that during the Track Record Period and up to the Latest Practicable Date, the relevant authorities in China have not imposed any sanctions or penalty on us for incidents of non-compliance of any fire prevention laws or regulations in the PRC.

ENVIRONMENTAL PROTECTION MATTERS

We are subject to various environmental protection laws and regulations in the PRC, including those relating to air pollution, noise emissions and water and waste discharge. For details, please refer to the section headed "Regulatory Overview — Laws and Regulations on Environmental Protection". We are committed to reducing the environmental impact from our daily operation and have taken various measures to achieve this objective. Our environmental protection policy covers, among others, treatments of different types of wastes and treatment of waste water. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of any applicable environmental laws or regulations in China by us, and our business operations were in compliance with the relevant environmental regulations of China in all material aspects.

LICENSES AND PERMITS

Our PRC Legal Advisers have advised that, save as disclosed in "— Non-compliance incidents", we had obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations and such licences, approvals and permits remain valid as at the Latest Practicable Date.

Details of the qualification we currently hold are as follows:

Qualification	Awarding authority	Issuance date	Expiry date
Food Manufacturing License《食品經營許可證》	Guangzhou Panyu Food and Drugs Administrative Bureau* (廣州市番禺區食品藥品監督管理局)	19 December 2017	18 December 2022

We applied for the above Food Manufacturing License《食品經營許可證》in order for us to serve complementary refreshments at our shopping malls to attract customers.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered 66 trademarks in the PRC, 2 trademarks in Hong Kong and have 8 domain names for which we were registered proprietor. For details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights of our Group" in Appendix V.

While we, to certain extent, leverage on our brand name when marketing our properties, our business is otherwise not materially dependent on any intellectual property right. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other's intellectual property or infringement of our intellectual property by others that would have a material adverse impact on our business and we were not involved in any proceedings involving infringement of intellectual property rights.

EMPLOYEES

Number of staff

As at the Latest Practicable Date, we had a total of 224 staff, all of whom were full-time staff stationed in China and Hong Kong. The following table shows a breakdown of our staff by function as at the Latest Practicable Date:

Function	**Total**
Management	11
Investment development	3
Marketing	76
Internal control	1
Human resources and administration	24
Finance and accounts	27
Others	82
Total	224

We enter into employment contracts with all of our employees. The remuneration of our employees consists of basic salary and performance bonuses. We conduct annual evaluations of our employees, supplemented by random checks from time to time. The evaluation results are linked directly with the employees' compensation. Selected employees with outstanding work performance and records are promoted to managerial positions.

Our tenants employ their own employees to serve at their sales counters located in our shopping malls. These personnel must comply with the guidelines we set out. We supervise the performance of these personnel, provide comprehensive training and have the right to demand their replacement if they violate our guidelines.

The following table shows the number of investment management personnel of our shopping malls as at the Latest Practicable Date:

Shopping malls	No. of investment management personnel
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	16
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	9
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	11
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	5
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	17
Total	58

Training and recruitment policies

We believe that the quality of our staff plays an important role in our operation. We enter into standard employment contracts with our staff and have adopted a staff manual which sets out the benefits, expected work ethics, overtime policy and basis for promotion and demotion of our staff. We provide regular trainings to our staff on hands-on skills.

Staff benefits

We have participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance and maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and became effective on 1 July 2011 and amended on 28 December 2018, and housing fund prescribed by the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) which was promulgated and effective on 3 April 1999, as amended on 24 March 2002 and 24 March 2019.

Save as disclosed in the paragraph headed "Non-compliance Incidents" below, all requisite contributions had been paid by us in accordance with the aforesaid labour and social welfare law and regulations as at the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we (i) owned pieces of land with a total site area of approximately 194,318 sq.m. and buildings with a total GFA of approximately 203,327.19 sq.m. in the PRC; and (ii) leased pieces of land with a total site area of approximately 218,157.3 sq.m. and buildings with a total GFA of approximately 25,606.48 sq.m. in the PRC which are material to our business and operations. All of these properties are used for property activities as defined under Rule 5.01(2) of the Listing Rules. Please refer to "Property Valuation Report" in Appendix III for a valuation report of our owned properties prepared by AVISTA Valuation Advisory Limited.

Overview

The following table provides a summary of the pieces of land where our shopping malls are located at:

Shopping mall	Location of land	Owned/leased	Expiry date for land use right/lease term	Material non-compliance records
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC	Leased land	31 December 2031	Nil
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	Northern side of Yingbin Road, Shangjiao Village, Luopo Street, Panyu District, Guangzhou City, Guangdong Province, PRC	Leased land	31 May 2026	Nil
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	No. 12, Pu He Road, Shenbeixin District, Shenyang City, Liaoning Province, PRC	Owned land	5 April 2051	Underground spaces scheduled for building car parking lots were converted into unauthorized retail spaces
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	No. 105 Guo Road, Shangjiao Village, Dashi Street, Panyu District, Guangzhou City, Guangdong Province, PRC	Leased building	30 November 2021	Nil
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	No. 57, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	Owned land	19 October 2049	Underground spaces scheduled for building car parking lots were converted into unauthorized retail spaces

For details of the material non-compliance incidents, please refer to the paragraph headed "Non-compliance Incidents" in this section below.

Owned properties

Land

The following table sets out a summary of our land use rights as of the Latest Practicable Date:

No.	Land use right owner	Location	Site area (sq.m.)	Permitted use	Expiration date	Current status	Land use right certificate
1	Shenyang Xinji Industrial	No. 57, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	43,973	Commercial use, for the operation of Xinji Shaxi Home Furnishings Expo Centre (Shenyang)	19 October 2049	Occupied	Obtained
2	Shenyang Xinji Industrial	No. 12, Pu He Road, Shenbeixin District, Shenyang City, Liaoning Province, PRC	71,431	Commercial use, for the operation of Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang)	5 April 2051	Occupied	Obtained
3	Shenyang Xinji Industrial	No. 59, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	67,422	Industrial use *(Note)*	7 September 2061	Occupied	Obtained
4	Shenyang Xinji Industrial	No. 57, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	11,492	Industrial use	8 September 2061	Vacant	Obtained

Note: As of the Latest Practicable Date, 5,380.26 sq.m. of the land was constructed as a temporary structure and 2,672.22 sq.m. of the structure was letted as warehouse by us. The remaining 2,708.04 sq.m. of the structure and the rest of the land was vacant.

Buildings

As of the Latest Practicable Date, we owned buildings in the PRC with a total GFA of approximately 203,327.19 sq.m. All of these buildings have been used for our shopping malls.

The following table sets out details of the buildings owned and used by us as of the Latest Practicable Date:

No.	Property owner	Location	GFA of buildings with building ownership certificate (sq.m.)
1	Shenyang Xinji Industrial	No. 57-1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	114,911.16 *(Note)*
2	Shenyang Xinji Industrial	No. 59-1, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC	88,416.03 *(Note)*

Note: The buildings of which Xinji Shaxi Home Furnishings Expo Center (Shenyang) and Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) operate are leased from Shenyang Xinji Industrial to Shenyang Shaxi Household and Shenyang Shaxi Hotel, respectively. The lease agreements for the buildings have been registered with the relevant PRC government authorities.

Leased properties

As at the Latest Practicable Date, we leased a total of 4 properties in the PRC, which are material to our business operation. We also leased other properties which are not material to our business operation. The following table sets out a summary of the material properties leased by us in the PRC as at the Latest Practicable Date.

Land

No.	Lessee	Leased property	Permitted use of underlying land	Current use	Lease term
1	Guangzhou Shaxi Hotel	One piece of land with a site area of 112,253.0 sq.m.	Commercial use	Shopping mall *(Note)*	From 4 November 2003 to 31 December 2031
2	Guangzhou Wanhua Hotel	One piece of land with a site area of 100,437.8 sq.m.	Commercial use	Shopping mall *(Note)*	From 1 June 2006 to 31 May 2026

Note: The buildings of which Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center operate are constructed by Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel on the above two pieces of land leased by Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel from Shaxi Economic Society (廣州市番禺區大石鎮沙溪村經濟合作社) and Shangjiao Economic Society (廣州市番禺區大石鎮上漖村經濟合作社), respectively. As advised by our PRC Legal Advisers, both buildings of Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center are not subject to any lease registration requirement with the relevant PRC government authorities because they were built by our Group and we are entitled to make use of the buildings according to the relevant land lease contracts.

Buildings

No.	Lessee	Leased property	Permitted use of underlying land	Current use	Lease term
1	Guangzhou Shaxi Hotel	A house with a site area of 712.53 sq.m	Office	Office	From 1 January 2019 to 31 December 2021
2	Guangdong Xinji Household	A building with a site area of 24,893.95 sq.m	Shopping mall, office, warehouse and kindergarten	Shopping mall, office, warehouse and kindergarten	From 1 December 2018 to 30 November 2021

As at the Latest Practicable Date, the lease agreements of our leased properties in the PRC have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisers, the failure to register the above lease agreements would not affect the validity of the lease agreements, but the relevant government authorities may require us to rectify the non-compliance within a period of time and failing which, we may be imposed a fine of up to RMB10,000 for each unregistered lease, with a total maximum penalty of RMB20,000 for the above two unregistered leases.

In relation to the lease for Guangdong Xinji Household, the lease in connection with the LFA of 1,720 sq. m may be considered by our PRC Legal Advisers as invalid as relevant construction work planning permits (建設工程規劃許可證), construction completion certificate (竣工驗收備案), certificates of completion of fire inspection (建築工程消防驗收意見書) and building ownership certificate have not been obtained. Registration of the lease has been made with the relevant PRC government authorities. Guangdong Xinji Household has not engaged in any kindergarten operation. The operation of the kindergarten on part of the building occupied by Guangdong Xinji Household is conducted by an Independent Third Party to whom Guangdong Xinji Household sub-leased that part of the building. Our Group has no intention to engage or invest in any education business. We are in liaison with the landlord with respect to the necessary rectification measures to be done. In the event that rectification is not feasible, we may terminate the lease and sub-lease of the building in the future.

Xinji Huazhan leased a premises of 516 sq. m. for office purpose from 1 January 2015 to 31 December 2019 with an initial rent of RMB12,900, increased by 5% for every two years. Registration of the lease has been made with the relevant PRC government authorities. Such premises have not obtained the relevant construction work planning permits (建設工程規劃許可證), construction completion certificate (竣工驗收備案), certificates of completion of fire inspection (建築工程消防驗收意見書) and building ownership certificate. Our PRC Legal Advisers consider that such lease may be considered as invalid. We are in liaison with the landlord with respect to the necessary rectification measures to be done. In the event that rectification is not feasible, we will look for alternative premises which have obtained all necessary permits and certificates as required by the relevant laws and regulations.

Save as the aforesaid, Guangdong Xinji Household and Xinji Huazhan have obtained all relevant permits and certificates as tenants.

Leasehold arrangement in relation to Xinji Shaxi Hospitality Supplies Expo Center

Lease extension for 10 years from 1 January 2022 to 31 December 2031

On 25 October 2001, Panyu Real Estate entered into a tenancy agreement (the "**Former Lease**") with Shaxi Economic Society (廣州市番禺區大石鎮沙溪村經濟合作社), an Independent Third Party, whereby Panyu Real Estate agreed to rent a piece of land with a site area of 112,253 sq.m. (the "**Land**") for the operation of Xinji Shaxi Hospitality Supplies Expo Center, for a lease term of 20 years starting from 1 January 2002, with an option for extension for 10 years upon expiry of the original lease term. On 4 November 2003, Guangzhou Shaxi Hotel was assigned the rights to the Former Lease by Panyu Real Estate, and become the lessee to the Land under the lease since then (the "**Lease**").

Shaxi Economic Society together with Shaxi Village Committee (沙溪村委會) have issued a letter (the "**Lease Extension Letter**") on 22 August 2018 upon Guangzhou Shaxi Hotel's application for lease extension to 31 December 2031 agreeing to the extension of the Lease for ten years to 31 December 2031 (the "**Lease Extension**").

Lease procurement

On the basis below, our PRC Legal Advisers are of the view that the fact that the procedures of public tendering, auction and market bidding and registration have not been followed would not affect the validity of the Lease and the Lease Extension.

According to the provisions of the "Notice on Trial Implementation of the Transfer of the Right to Use Rural Collective Construction Lands"《關於試行農村集體建設用地使用權流轉的通知》(the "**Transfer Notice**") issued by the Guangdong Provincial People's Government on 24 June 2003, if the rural collective economic organization leases the right to use collective construction land, the landlord shall apply to the relevant land and resources department, and such proposed lease shall have been approved in a meeting of villages convened according to the applicable laws. Further, according to the provisions of the "Guangdong Collective Construction Land Transfer Method"《廣東省集體建設用地使用權流轉管理辦法》promulgated by the Guangdong Provincial People's Government on 23 June 2005 and came into effect on 1 October 2005, the use and lease of collective construction land is subject to the approval of more than two-thirds of the members of the rural collective economic organization or village representatives and the procedure of public tendering, auction and market bidding, and the landlord and the lessee shall apply for registration with the relevant land authority and obtain the relevant ownership certificates.

Shaxi Village Committee issued a letter on 12 July 2018 confirming that the Lease was entered into in accordance with the relevant rules and regulations of Shaxi Village Committee, fulfilling the villagers' democratic decision-making procedures, and that they have no objection to the Lease, and they would not file claim or dispute in relation to the Lease with any competent authority or judicial department. Shaxi Economic Society issued a letter to the same effect on 12 July 2018. On 22 August 2018, Shaxi Village Committee and Shaxi Economic Society further issued the Lease Extension Letter confirming that the approval of more than two-thirds of the members of the Shaxi Village Committee have been obtained with respect to the Lease Extension.

At the time the Former Lease was entered into on 25 October 2001, before the effective date of the aforesaid rules, the procedure of public tendering, auction and market bidding and registration had not been followed. In this regard, the Panyu District Land and Resources and Planning Bureau of Guangzhou on 7 September 2018, issued a confirmation letter elaborating that, there was no legal requirement of fulfiling the procedures of public tendering, auction and market bidding and registration regarding the Lease and the Lease Extension.

On the basis of the aforesaid, our PRC Legal Advisers are of the view that the fact that the aforesaid procedures have not been followed would not affect the validity of the Lease and the Lease Extension.

Leasehold arrangement in relation to Guangzhou Wanhua Hotel

Similar to the Lease, the use and lease of the collective construction land in respect of Guangzhou Wanhua Hotel entered into on 11 November 2004 has not fulfilled the procedure of public tendering, auction and market bidding, and no registration with the relevant land authority was made. However, Guangzhou Wanhua Hotel has fulfilled the villagers' democratic decision-making procedures. Furthermore, Shangjiao Village Committee（廣州市番禺區洛浦街上漖村民委員會）and Shangjiao Economic Society（廣州市番禺區大石鎮上漖村經濟合作社）issued a letter on 23 August 2018 confirming that they had no objection to the lease and would not file any claim or dispute in relation to the lease. The Panyu District Land and Resources and Planning Bureau of Guangzhou on 7 September 2018, issued a confirmation letter elaborating that there was no legal requirement of fulfiling the procedures of public tendering, auction and market bidding and registration regarding the lease for Guangzhou Wanhua Hotel. Our PRC Legal Advisers are of the view that notwithstanding the aforesaid procedures had not been followed, the validity of the lease would not be affected and, it would not have material adverse impact on the business of our Company as a whole.

Use of collectively owned land for non-agricultural use by Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel

According to the Land Administration Law of the PRC《中華人民共和國土地管理法》and Regulations on the Implementation of the Land Administration Law of the PRC《中華人民共和國土地管理法實施條例》, except for certain exceptions, the land use rights of collectively owned land shall not be granted, assigned or leased to any party for any non-agricultural uses. Notwithstanding the aforesaid provisions, on 24 June 2003, the People's Government of Guangdong Province promulgated the Transfer Notice and prescribe the principal provisions on the transfer of the right to use rural collective construction land. At the same time, according to the "Decision of the State Council on Deepening Reform and Strict Land Management"《國務院關於深化改革嚴格土地管理的決定》promulgated by the State Council (國務院) on 21 October 2004, on the premise of complying with the requirements of land planning, the collective use rights of farmers in villages and towns can be transferred for use according to laws.

Based on the aforementioned State Council regulatory instrument coupled with the actual situation in Guangdong Province, the People's Government of Guangdong Province formulated and issued the "Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province"《廣東省集體建設用地使用權流轉管理辦法》on 23 June 2005 with implementation on 1 October 2005, it is stipulated that all types of industrial and commercial enterprises can use collective construction land, and the right to use collective construction land is permitted to be transferred by means of leasing etc.

"Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province"《廣東省集體建設用地使用權流轉管理辦法》is a local governmental regulation and belongs to a lower level of law than the Land Administration Law of the PRC (中華人民共和國土地管理法) and Regulations on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例). According to the provisions of the "Law of the People's Republic of China on Legislation"《中華人民共和國立法法》, if there are cases in which the lower-level law violates the provisions of the upper-level law, the relevant authorities have the right to change or revoke the inappropriate regulations. However, the "Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province"《廣東省集體建設用地使用權流轉管理辦法》was formulated in accordance with the "Decision of the State Council on Deepening Reform and Strict Land Management"《國務院關於深化改革嚴格土地管理的決定》and against the background situation in Guangdong Province. These provisions are not necessarily changed or revoked by the relevant authorities as being inappropriate. Since the publication of the "Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province"《廣東省集體建設用地使用權流轉管理辦法》for 13 years, the relevant authorities have not issued any public and valid instrument to change or revoke it.

Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel leased the right to use collective construction land and built on the land and used it for commercial operations, which is not consistent with the relevant provisions of the Land Administration Law of the PRC《中華人民共和國土地管理法》and Regulations on the Implementation of the Land Administration Law of the PRC《中華人民共和國土地管理法實施條例》. According to the relevant provisions of the Law of the People's Republic of China, arbitrarily transfer, transfer or lease the land use rights of the collectively owned land of peasants for non-agricultural construction would be ordered by the land administration authority of the People's Government at or above the county level to rectification, confiscation of illegal income, and a fine, the amount of which is more than 5% but less than 20% of the illegal income.

Notwithstanding the aforesaid inconsistency, the PRC has successively issued relevant instruments to allow the right to use collective construction land to be transferred by way of leasing or other means and has successively issued the "Decision of the Central Committee of the Communist Party of China on Advancing Some Major Issues Concerning Rural Reform and Development"《中共中央關於推進農村改革發展若干重大問題的決定》, "Several Opinions of the Ministry of Land and Resources on Promoting the Sustainable Development of Farmers to Increase Income and Promote Urban and Rural Development"《國土資源部關於促進農業穩定發展農民持續增收推動城鄉統籌發展的若干意見》, and these instruments clearly promote the rural land management system. The reform allows the right to use collective construction land to be transferred by way of leasing or other means.

Moreover, on 20 March 2019, an interview was conducted with the relevant officer of the Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局番禺區分局) and they confirmed that: 1) Collective construction land used for non-agricultural construction is a common phenomenon in Guangdong. According to the ''Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province'', leasing collective construction land to establish enterprises and businesses is legally protected and the above-mentioned leased collective construction land for non-agricultural construction is in line with the relevant local regulations of Guangdong Province, the ''Transfer Notice'' and ''Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province'', etc, and the relevant policies of the nation on the transfer of the right to use collective construction land; 2) Relevant regulations such as ''Transfer Notice'' and ''Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province'' are in line with the development of relevant policies in China. Since the publication of the ''Transfer Notice'' and ''Administrative Measures'', competent authorities have not issued a public and effectual document requesting a change or cancellation to the aforesaid rules, nor have they seen the possibility of such being modified or revoked by a competent authority; 3) The relevant land lease contract and the land use right of the leased collective construction land are effective, and Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel can continue to lease the right to use the collective construction land according to the relevant land lease and further use, operate and let the land, and the commercial properties on the ground; 4) They have not received any complaints or reports from the third party on Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel. There is no dispute between Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel respectively and them; 5) they have not and will not impose any administrative penalties on Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel including but not limited to ordering corrections within a time limit, confiscation of illegal income, fines and other administrative penalties; 6) they further confirm that they are the competent authority to confirm issues in relation to the right to use construction land use rights for non-agricultural construction and to confirm the implementation of the Land Administration Law of the PRC《中華人民共和國土地管理法》and Regulations on the Implementation of the Land Administration Law of the PRC《中華人民共和國土地管理法實施條例》in the Panyu District of Guangzhou City; and (7) their duties include the implementation of laws, regulations, rules, guidelines and policies related to land, minerals, surveying and mapping, and urban and rural planning in the national, provincial and municipal governments, and responsible for supervising and managing the use, transfer, lease or mortgage, etc of state-owned and collective construction land in the jurisdiction.

Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) issued a letter on 7 September 2018 to confirm that Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel can continue to use and operate the above-ground property according to the status quo, save as the matters set out above in this section, Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel have not violated any laws and regulations related to national and local land planning management since their establishment. And there is no administrative penalty for violation of the above provisions. They have not received any complaints or reports from the third party against Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel.

In addition, on 28 May 2019, an interview was conducted with the deputy director of the Department of Natural Resources at the Natural Resources of Guangdong Province Bureau* (廣東省自然資源廳自然資源開發利用處 (the "**Bureau**")), a competent authority which has a regulatory role on the use of land in the Guangdong Province, confirming that on the premise of complying with the land use planning, leasing of the right to use the collective construction land for non-agricultural purposes in the Guangdong Province is in compliance with national policy guidelines and such leases are protected by the relevant local laws and regulations accordingly. The Bureau further confirmed that the current Land Administration Law of the PRC (中華人民共和國土地管理法) clearly stipulated the exceptions allowing the transfer of the right to use collective construction land, including the transfer due to bankruptcy or mergers of enterprises, which obtained the collective construction land legally and conform to the overall land use planning. At the same time, the Bureau believed that the exceptions in the current Land Administration Law of the PRC (中華人民共和國土地管理法) were not exhaustive and the fact that other methods of transfer of collective construction land use rights are not listed in the exceptions do not mean that they are prohibited by law.

The Bureau also confirmed that the Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province (《廣東省集體建設用地使用權流轉管理辦法》) promulgated by the People's Government of Guangdong Province on 23 June 2005 stipulated that different types of industrial and commercial enterprises can use collective construction land and that the right to use collective construction land is permitted to be transferred by means of leasing. The relevant authorities have not issued any public and valid instrument to change or revoke it since its publication. It is in force and effective and the Bureau believed it does not contradict with the current Land Administration Law of the PRC (中華人民共和國土地管理法).

Based on the aforesaid, the lease of collective construction land use rights for non-agricultural construction purposes by Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel complies with the Measures for the Administration of the Transfer of the Right to Use Collective Construction Land in Guangdong Province (廣東省集體建設用地使用權流轉管理辦法) and falls within the circumstances which are not prohibited by the current Land Administration Law of the PRC (中華人民共和國土地管理法) ("**Exceptions**"). Therefore, it can be understood that the Bureau believed that the lease of collective construction land use rights for non-agricultural construction purposes by Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel falls under Exceptions and they shall be legally protected.

As advised by our PRC Legal Advisers, Article 11 of the Land Administration Law of the PRC《中華人民共和國土地管理法》stipulates that the People's Government at the county level shall register and put on record the use of land collectively owned for non-agricultural construction uses and issue certificates to certify the right to use the land for construction purposes accordingly. Shaxi Economic Society and Shangjiao Economic Society, the lessors of the above-mentioned leases, has obtained a "Collectively-Owned Land Use Certificate" (集體土地使用證) issued by the relevant authorities on 12 March 2004 and 5 September 2003, respectively, and the land use contained in the certificate is for "commercial" purposes. Therefore, the lessors have obtained the right to use the construction land for the non-agricultural construction of the relevant land, and our PRC Legal Advisers are of the view that the rental of the right to use the collective construction land for commercial operation does not violate the planned uses of such land.

As verified by our PRC Legal Advisers through the relevant websites of the national land authority, as of 30 April 2019, no record of administrative penalties for Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel was found.

In conclusion, pursuant to the confirmation by the Natural Resources of Guangdong Province Bureau* (廣東省自然資源廳) and the Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau* (廣州市規劃和自然資源局番禺區分局), each of Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel can continue to lease the respective collective construction land use rights in accordance with the lease agreements. And applying the aforementioned interpretation regarding the Exceptions of the current Land Administration Law of the PRC by the Natural Resources of Guangdong Province Bureau, which is the competent authority to give opinion in regard to the implementation of Land Administration Law in Guangdong Province, our PRC Legal Advisors are of the view that the relevant leases of Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel are not prohibited by the current Land Administration Law of the PRC, and the legality and validity of the lease shall not be impinged, and such lease shall be deemed legal and valid.

According to the relevant provisions of the Law of the People's Republic of China on the Implementation of the Land Administration Law of the PRC, the land administrative department of the People's government at or above the county level shall supervise and inspect the violation of land management laws and regulations within its administrative region, further according to the official website of the Guangzhou Municipal Bureau of Land Resources and Planning (http://www.gzlpc.gov.cn), the duties of the Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局番禺區分局) include the implementation of national, provincial and municipal land, minerals, surveying and mapping, and urban and rural planning. Laws, regulations, rules and guidelines, policies, and the transfer and lease of state-owned and collective construction land use rights, leases, mortgages, etc and based on the confirmation issued by the Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局番禺區分局), our PRC Legal Advisers are of the view that Panyu Branch Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局番禺區分局) is the competent authority to confirm the implementation of Land Administration Law of the PRC《中華人民共和國土地管理法》and Regulations on the Implementation of the Land Administration Law of the PRC《中華人民共和國土地管理法實施條例》in Panyu District, Guangzhou City.

Recent development

Pursuant to the Decision on Revising the Land Administration Law of the People's Republic of China and the Administration Law of Urban Real Estate of the People's Republic of China 《關於修改＜中華人民共和國土地管理法＞、＜中華人民共和國城市房地產管理法＞的決定》 approved on 26 August 2019, the revised Land Administration Law of the PRC《中華人民共和國土地管理法》(the "**Revised Land Administration Law**") were approved by the Standing Committee of the National People's Congress and the Revised Land Administration Law will be effective from 1 January 2020. It clearly permits landowners of registered collective construction land to hand over the land for use to unit or individual by means of transfer of leasing, if the overall land use planning management and that master plan for land use is designated for industrial, commercial and other operational purposes.

The Revised Land Administration Law has not been confirmed by the relevant authorities to have retrospective effect. Accordingly, based on the principle that law does not apply retroactively, the Land Administration Law of the PRC《中華人民共和國土地管理法》currently does not have retrospective effect. Nevertheless, according to the Supreme People's Court's judgment in Civil Case No. 61 (2008), if the term of the agreement executed by the parties exceeds the time when new legislation comes into enforcement, pursuant to the basic principles of the application of law, in any event if the agreement will be deemed invalid under the old legislation but valid under the newly promulgated legislation, the agreement will be valid based on the principle of exceptions.

Based on the aforesaid, despite the fact that the Land Administration Law of the PRC《中華人民共和國土地管理法》currently does not have retrospective effect, the Revised Land Administration Law can be applied retrospectively upon implementation if People's Courts at different levels refer to the Supreme People's Court's judgment in Civil Case No. 61 (2008) as precedents when deciding cases.

Be that as it may, given that our PRC Legal Advisors are of the view that, applying the aforementioned interpretation of the current Land Administration Law of the PRC by the Natural Resources of Guangdong Province Bureau, which is the competent authority to give opinion with regard to the implementation of Land Administration Law in Guangdong Province, the relevant leases of Guangzhou Shaxi Hotel and Guangzhou Wanhua Hotel do not violate the current Land Administration Law of the PRC, and the legality and validity of the lease shall not be impinged, and such lease shall be deemed legal and valid, irrespective of the approval or not of the Request for Comments, it follows that the retrospectivity effect of the Request for Comments once it is approved has no bearing on the legality and validity of the relevant leases and is thus not relevant.

Save as disclosed in the sections headed "Properties", "Non-Compliance Incidents" and above, our PRC Legal Advisers confirmed that we lawfully possess and occupy all of our material owned and leased properties in material respect and that the landlords are entitled to lease these spaces and we are using the leased property in accordance with the permitted usages under the relevant lease agreements.

AVISTA Valuation Advisory Limited, an independent property valuer of our Group, has valued the properties held by us as at 31 August 2019. Please refer to the property valuation report as set out in Appendix III to this prospectus for further details.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were involved in one material on-going litigation involving an amount in dispute exceeding RMB1 million, details of which are set out below:

	Plaintiff	Defendant(s)	Particulars of the claims	Total claim amount	Status
1	Guangzhou Honghan Building Decoration Engineering Co., Ltd.* (廣州市宏瀚建築裝飾工程有限公司), being the constructor for (i) the crossing tunnel (the "**Cross Tunnel**") for phase I of Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) (together, the "**Building**"); and (ii) the Building.	(1) Guoji Construction Group Co., Ltd.* (國基建設集團有限公司), being the construction contractor for the Cross Tunnel and the Building (the "**Relevant Contractor**"); (2) Liaoning Shen'an Construction Engineering Company Limited* (遼寧省沈安建築工程公司), being the general construction contractor for the Cross Tunnel and the Building (the "**General Contractor**"); and (3) Shenyang Xinji Industrial, being the developer for the Cross Tunnel and the Building.	In March 2012, the plaintiff won bid and entered into two agreements thereafter with the General Contractor in the name of the Relevant Contractor for construction of the Building. In September 2012, the plaintiff entered into an agreement with the General Contractor in the name of the Relevant Contractor for construction of the Cross Tunnel. The plaintiff alleged that it had completed the construction of the Cross Tunnel and the Building and claimed for payments of construction cost and interests.	The claim was for approximately RMB48,000,000 plus interests of approximately RMB2,100,000.	In June 2017, the Liaoning Shenyang Municipal Intermediate People's Court (遼寧省瀋陽市中級人民法院) ordered, among others, Shenyang Xinji Industrial to pay the plaintiff approximately RMB1,000,000. Subsequently, Shenyang Xinji Industrial and the plaintiff appealed. The plaintiff offered to settle the case on 17 April 2019. Pursuant to the final judgment issued by the Liaoning High People's Court (遼寧省高級人民法院) on 25 July 2019, as advised by our PRC Litigation Legal Advisers, Shenyang Xinji Industrial was ordered to pay a total sum of RMB1,205,364.20 consisting of the construction cost of RMB1,020,475.50 plus interests of RMB187,059.19 as of 20 September 2019. As at the Latest Practicable Date, Shenyang Xinji Industrial has filed an application to the Supreme People's Court to remand the case for retrial. The date of payment will be dependent on the judgment of the Supreme People's Court accordingly.

Pursuant to the Deed of Indemnity, each of our Controlling Shareholders has agreed to indemnify our Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group prior to the Listing Date, including the litigation disclosed above. For further details of the Deed of Indemnity, see "Statutory and General Information — E. Other Information — 1. Tax and other indemnity" in Appendix V to this prospectus. As the above litigations are covered by the Deed of Indemnity, no provision has been made in the financial statements of our Group in respect of our liabilities, if any, arising therefrom.

As at the Latest Practicable Date, save as disclosed above, we were not aware of any litigation, arbitration or claim of material importance against us or our Directors, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us, or our Directors that would have a material adverse effect on the results of our operation or financial condition.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we failed to comply with certain applicable laws and regulations, a summary of which is set out as follows.

No.	Non-compliance incident(s)	Relevant laws and regulations and legal consequence	Reason(s) for non-compliance	Rectification actions	Any impact on us	Measures to prevent further breaches and ensure ongoing compliance
1	Shenyang Xinji Industrial temporarily constructed a 5,380.26 sq.m. structure on a piece of land located at No. 59, Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC. As at the Latest Practicable Date, 2,672.22 sq.m. of the room was letted as warehouse by us and the remaining 2,708.04 sq.m. was vacant. The rental income generated from the warehouse for each of the years ended 31 December 2016, 2017 and 2018 was nil, approximately RMB0.06 million and RMB0.2 million, respectively.	Pursuant to Urban and Rural Planning Law of the PRC*《中華人民共和國城鄉規劃法》, any temporarily constructed buildings constructed without permission are subject to a demolition order from the local authorities within a prescribed period of time. The violator is also subject to a maximum fine equal to the construction expenses of the temporary construction, which is approximately RMB3.3 million.	Given that the temporarily constructed structures occupy a relatively small area and are retractable and temporary in nature, the project management center of Shenyang Xinji Industrial was under a mistaken belief that permission from local authority was not required for building temporary structures.	On 25 February 2019, Shenyang Xinji Industrial received a confirmation letter from Shenyang Home Affairs and Planning Bureau* (瀋陽市規劃和國土資源局沈北分局) affirming that our Group is permitted to use it as a warehouse upon obtaining the approval and permit from the local authority. Our Directors confirm that Shenyang Xinji Industrial is now in the progress of preparing for the application of a formal permit from the local authority for the use of the warehouse and the relevant permit is expected to be obtained by 31 December 2019 subject to the review of the safety requirements by the local authority.	Shenyang Shenbeixin District Administrative Bureau* (瀋陽市沈北新區城市管理和行政執法局) also confirmed in a letter dated 25 February 2019 that Shenyang Xinji Industrial will not face any penalty, including but not limited to demolition or fine for the breach. On this basis, our Directors consider that this non-compliance incident would not have any material impact on us.	We have established internal procedures to ensure that our subsidiaries will obtain all necessary permits, licenses and regulatory approvals prior to commencing any construction work in the future. We have a team in each of our major operating companies responsible for obtaining these permits, licenses and approvals for construction works and they are required to obtain written approval from the chairman's office at our headquarters before undertaking any construction work. Our headquarter conducts quarterly inspections on all of our owned or leased properties through our on-site construction management teams to prevent commencement of construction work before obtaining all necessary permits, licenses and approvals. The legal center at our headquarter will also conduct annual investigation and evaluation of any issue detected and implement appropriate measures for rectification.

No.	Non-compliance incident(s)	Relevant laws and regulations and legal consequence	Reason(s) for non-compliance	Rectification actions	Any impact on us	Measures to prevent further breaches and ensure ongoing compliance
2	Shenyang Xinji Industrial converted underground spaces scheduled for building car parking lots located at Xinji Shaxi Hospitality Suppliers Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) into unauthorized retail spaces. The rental income generated from the car parking lots for each of the years ended 31 December 2016, 2017 and 2018 was approximately RMB0.03 million, RMB0.1 million and RMB0.2 million, respectively.	Pursuant to Urban and Rural Planning Law of the PRC《中華人民共和國城鄉規劃法》, the local authority has the power to halt any unauthorized construction. The violator is subject to a maximum penalty of not more than 10% but not less than 5% of the construction cost with respect to the unauthorized construction, with corrective measure to be imposed. The construction cost involved is estimated to be approximately RMB2.6 million. Administrative Measures for Motor Vehicle Parking Lots in Shenyang City《瀋陽市機動車停車場管理辦法》also provides that any breach of the use of car park spaces is subject to a maximum penalty of RMB1,000 per car park space. Furthermore, Fire Protection Law of the People's Republic of China and Regulations on Fire Protection Supervision and Management of Construction Projects《中華人民共和國消防法》and《建設工程消防監督管理規定》provides that the construction unit responsible shall report to the fire security department upon construction and any failure to do so may be subject to a maximum penalty of RMB5,000.	As conversion of car park spaces into other usage is a normal occurrence in Shenyang, the project management center of Shenyang Xinji Industrial was under a mistaken belief that permission from and reporting to the relevant local authorities were not mandatory.	According to confirmation letters issued by the following competent authorities dated 18 September 2018, 19 September 2018 and 20 September 2018 respectively, Shenyang Shenbeixin District Planning Bureau* (瀋陽市沈北新區城鄉建設管理局), Liaoning Shenyang Shenbeixin Fire Security* (遼寧省瀋陽市沈北新區公安消防大隊) and Shenyang Home Affairs and Planning Bureau* (瀋陽市規劃和國土資源局沈北分局) affirmed that there was a sufficient supply of car park spaces on the ground level of each of the two shopping malls and there was no negative impact resulting from the breach. It was also recognized that such breach was a normal occurrence in Shenyang. It further confirmed and agreed that the operation of the underground car park spaces would not impair the safety of the building and they could be used as retail spaces and that the Group will not face any administrative penalty in the future.	Our PRC Legal Advisers believed that on the basis of the confirmation letters issued by the respective authorities, our Group will not be subject to any administrative penalty resulting from the breach. Therefore, as advised by our PRC Legal Advisers, the unauthorized retail spaces will not have any material impact on the business operation of our Group.	We have established internal procedures to ensure that our subsidiaries will obtain all necessary permits, licenses and regulatory approvals prior to commencing any alternation work in the future. We have a team in each of our major operating companies responsible for obtaining these permits, licenses and approvals for alternation works and they are required to obtain written approval from the chairman's office at our headquarters before undertaking any such work. Our headquarter conducts quarterly inspections on all of our owned or leased properties through our on-site construction management teams to prevent commencement of alternation work before obtaining all necessary permits, licenses and approvals. The legal center at our headquarter will also conduct annual investigation and evaluation of any issue detected and implement appropriate measures for rectification.

No.	Non-compliance incident(s)	Relevant laws and regulations and legal consequence	Reason(s) for non-compliance	Rectification actions	Any impact on us	Measures to prevent further breaches and ensure ongoing compliance
3	Failure to make payment for social security insurance funds and housing provident funds contribution for some of our empolyees in full as required by the PRC laws and regulations. We estimate that the aggregate amount of social insurance contribution and housing provident fund contributions that we did not pay during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 was approximately RMB2.8 million, RMB6.2 million, RMB7.1 million and RMB7.9 million respectively.	Our PRC Legal Advisers have advised us that, under PRC laws and regulations, we might be subject to fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period of time and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social security fund contribution. Our PRC Legal Advisers have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.	As, in some cases, it is not convenient for our employees to contribute to and withdraw the social security insurance and housing provident funds under current laws and regulations, they are not cooperative in opening housing provident funds account and making relevant housing provident funds contribution. As a result, we was not able to open such account and failed to make proper contribution to the housing provident funds. Our head of human resources department who was in charge of the administration of our employee social insurance contribution, lacked experience and did not fully understand the relevant requirements and seriousness of the relevant PRC laws and regulations.	We have received a confirmation letter from the relevant authority that we had never been subject to administrative penalty in respect of any non-compliance regarding social insurance fund and housing provident fund during the Track Record Period and up to the date of the confirmation letter. Further, we had never received demand to make retrospective payment in respect of the contribution. Our Controlling Shareholders have undertaken to compensate us in full for any economic loss and payment liabilities that we may suffer due to the above non-compliances. We have made provision in the amount of approximately RMB7.9 million out of an abundance of caution. In the event that we receive requests from the relevant authorities, we intend to immediately pay the outstanding social security insurance funds and housing provident funds accordingly. We have been in liaison with the Panyu District Human Resources and Social Security Bureau* (廣州市番禺區人力資源和社會保障局) and the Shenbeixin District Human Resources and Social Security Bureau* (瀋陽市瀋北新區人力資源和社會保障局) and we are expected to make full contribution in accordance with the relevant laws and regulations in 2020 or such other time as may be directed by the authorities.	As advised by our PRC Legal Advisers, there is possibility of the relevant PRC authorities imposing any administrative penalties or fines on us. Our PRC Legal Advisers are of the view that this incident would not have any material impact on our business in light of the rectification undertaken.	We have designated the administration office of our regional centers to be responsible for matters relating to social security insurance and housing fund contributions of our subsidiaries and report to the general managers of our subsidiaries. We have designated the chairman's office at our headquarters to be responsible for to ensure that we fulfill our obligation in respect of the social security insurance and housing provident fund contributions in a timely manner. The chairman's office at our headquarters and the administration office of the regional centers will jointly investigate into any issue detected. Each of our subsidiaries must provide evidence of social security insurance and housing fund contributions to the chairman's office at our headquarters from time to time for its review. The chairman's office at our headquarters is responsible for investigating into any failure to provide such evidence.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group has complied in all material aspects with the applicable laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules having considered the fact that (i) our Group has engaged an independent internal control consultant to review and provide recommendation and have taken the internal control measures as stated above to avoid recurrence of the non-compliance incidents; and (ii) the above non-compliance incidents were neither intentional nor wilful, and did not involve any fraudulent act or dishonesty on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the abovementioned non-compliance incidents would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules; and (ii) the non-compliance incidents would not give rise to the concerns on the ability of our executive Directors to oversee our Company's operation and the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules.

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Global Offering becomes unconditional. Please refer to the paragraph headed "Statutory and General Information — E. Other Information — 1. Tax and other indemnity" in Appendix V to this prospectus for details of the Deed of Indemnity.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sole Sponsor concurs, that the impact of such non-compliance incidents would be immaterial to our Group's operation and financial positions.

We have made a provision of RMB7.9 million in respect of the abovementioned non-compliance in relation to the failure of payment for social security fund and housing provident fund, other that that, no provision was made in the financial statements of our Group in respect of the aforementioned non-compliance incidents as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the said non-compliance incidents; (ii) as advised by our Legal Counsel, the likelihood of our Group and our Directors being prosecuted as a result of the non-compliance incidents is low; and (iii) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control systems

We endeavour to uphold the integrity of our business by maintaining a risk management and internal control system into our organizational structure. In preparation for the Listing and to further improve our internal control system, in October 2017, we engaged the internal control consultant, RSM Consulting (Hong Kong) Limited, to perform an evaluation of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. In March 2019, the internal control consultant completed the review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, project management and compliance procedures with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In order to strengthen our internal control system, our Group has adopted or will adopt the following key measures to mitigate the risks relating to our Group:

(a) We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed "Directors and Senior Management — Board Committees" in this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures" in this prospectus.

Our Directors will review our corporate governance measures and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing.

(b) Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon Listing:

(i) we shall establish system and manuals in relation to, among others, distribution of annual, interim and quarterly reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules;

(ii) our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;

(iii) we have engaged RaffAello Capital Limited as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company; and

(iv) we have established an audit committee which comprises all independent non-executive Directors, namely Dr. Liu Eping, Mr. Tan Michael Zhen Shan and Mr. Yu Zhonglun. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

On the basis of the above, our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group and prevent any occurrence of non-compliance incidents in the future.

FUTURE PLANS

Please refer to the section headed "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

REASONS FOR THE LISTING

Our Directors believe that the net proceeds from the Global Offering will strengthen our financial position by lessening our debt burden, and will give us the necessary funding to expand and strengthen our national market coverage by leveraging on our business growth and long operating history through implementing our business plans set out in the paragraph headed "Implementation plans" in this section below.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which will assist us in our future business development, enhances our corporate profile and strengthens our competitiveness.

Our Directors consider that the public trust and confidence, transparent public disclosures and stringent corporate governance and regulatory supervision accompanied with a listing on an internationally recognized exchange can cement the relationships with our customers and promote our brand to potential new customers, in particular, to whom we may reach out in the course of carrying out our expansion plans and marketing for our managed shopping malls with a view to bargaining for a higher management and licensing fee.

Despite the fact that our Group is the largest operator of shopping malls for hospitality supplies in terms of operating areas and rental revenue of hospitality supplies in China in 2018 and our belief that our competitive strengths could differentiate us from our competitors and position ourselves to capture more business opportunities in the industry, the hospitality supplies industry in China is highly competitive and fragmented according to the Frost & Sullivan Report. As such, it has been a strategy espoused by our Group underlying our long business presence in the hospitality supplies industry in China to tirelessly keep up our competitiveness so as to keep our competitors at bay and embrace any new challenges and opportunities ahead, with an ultimate goal to creating long-term and sustainable value to our Shareholders.

Our Group will endeavour to achieve its business objectives and adopt the strategies as set out in the section headed "Business — Our Strategies" in this prospectus.

Benefits of equity financing over debt financing

Our Directors have decided to proceed with equity financing for the purpose of our business expansion instead of debt financing because if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain and volatile interest rate movement in the future may also expose our Group to increasing borrowing costs which may in turn adversely affect our financial performance and liquidity. More importantly, most of our investment properties that can be pledged as collateral have already been pledged as collateral to the relevant financiers and bear little, if any, security value for further collateralization[(Note)]. Furthermore, even if we can obtain debt financing on favorable terms, this would inevitably raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility and financial condition and limit our future ability to obtain back-up funding from financial institutions to support our operations as needed.

Note: The remaining investment properties which can be pledged amount to approximately RMB28 million.

USE OF PROCEEDS

The estimated net proceeds of the Global Offering which we will receive, assuming a Offer Price is fixed at low-end, mid-point and high-end of the Offer Price range stated in this prospectus with and without exercising the Over-allotment Option after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering are set out in the table below.

	Estimated net proceeds of the Global Offering		
	Offer Price of HK$0.90 per Offer Share (low-end of Offer Price)	**Offer Price of HK$1.00 per Offer Share (mid-point of Offer Price)**	**Offer Price of HK$1.10 per Offer Share (high-end of Offer Price)**
Over-allotment Option exercised in full	HK$255.5 million	HK$289.7 million	HK$323.8 million
Over-allotment Option not exercised	HK$207.0 million	HK$235.8 million	HK$264.5 million

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately HK$61.5 million, representing approximately 26.1% of the net proceeds of the Global Offering, will be used to repay bank borrowings with an outstanding balance of approximately RMB454 million at an interest rate of 6.73% to 6.86% per annum and a maturity date of 23 July 2026, for the construction cost and sales and marketing cost for our five shopping malls, resulting in a total interest-savings of approximately RMB18.9 million; and

- approximately HK$174.3 million, representing approximately 73.9% of the net proceeds of the Global Offering, will be used for project development of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou in China to align with our business expansion.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

As at the Latest Practicable Date, we have identified and communicated with three Independent Third Parties and obtained three letters of intent to lease to us their premises with a rent-free period of two years in accordance with the industry norm in Chengdu, Zhengzhou and Fuzhou, respectively for the purpose of developing three new shopping malls for hospitality supplies under our business expansion plan. The three respective premises are currently operating as shopping malls for hospitality supplies by the Independent Third Parties. Upon leasing the premises from them, we will perform necessary renovation and construction works of public areas for the overall upgrade of the premises in order to strengthen the tenants portfolio and attract potential tenants covering national and international brand manufacturers and provincial distributors of hospitality supplies and other investments accordingly.

(A) Pricing strategy of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou

We take into account the following in adopting our pricing strategy:

1. First, our input costs. This includes the rent for the mall, the renovation cost of public areas, operating costs, taxes, etc. This forms the basis of our pricing.

2. Second, the existing market rent level forms a crucial benchmark. We will periodically gauge the market rent in the nearby area.

3. Third, we consider market expectations based on the market and investment promotion process. If the market prospers rapidly with tenants swarming into our malls, we would adjust the rent upward, vice versa.

(B) The range of the prevailing market rates and occupancy rates of hospitality supplies shopping malls in Chengdu, Zhengzhou and Fuzhou

According to Frost & Sullivan, the range of the prevailing market rates of hospitality supplies shopping malls in Chengdu, Zhengzhou and Fuzhou are as follows:

1. In Chengdu, the average monthly rent of hospitality supplies shopping malls ranged from RMB50/sq.m. to RMB150/sq.m. in 2018. The management service fees for hospitality supplies shopping malls remained relatively stable at approximately RMB10/sq.m.

2. In Zhengzhou, the average monthly rent of hospitality supplies shopping malls ranged from RMB30/sq.m. to RMB120/sq.m. in 2018. The management service fees for hospitality supplies shopping malls ranged from RMB8/sq.m. to RMB10/sq.m.

3. In Fuzhou, the average monthly rents of hospitality supplies shopping malls ranged from RMB30/sq.m. to RMB100/sq.m. in 2018. The management services fees for hospitality supplies shopping malls ranged from RMB8/sq.m. to RMB10/sq.m.

The occupancy rate of the three new shopping malls is expected to be approximately 85% with reference to the occupancy rate of similar properties recorded in Chengdu, Zhengzhou and Fuzhou, respectively. The prevailing occupancy rates of hospitality supplies shopping malls in Chengdu, Zhengzhou and Fuzhou are as follows:

1. In Chengdu, the overall occupancy rate of four hotel supplies shopping malls exceeded 90%.

2. In Zhengzhou, the overall occupancy rate of five hotel supplies shopping malls exceeded 86%.

3. In Fuzhou, the overall occupancy rate of two hotel supplies shopping malls exceeded 90%.

(C) Details of the three new shopping malls

The following table sets out the details of the three new shopping malls under our business expansion plan with the source of funding generated from the net proceeds of the Global Offering:

	Location	Commencement date of operation	Business focus	Expected market position and tenant mix	Total renovation cost	Annual operation cost	Expected breakeven period *(Note 1)*	Investment payback period *(Note 2)*
1.	Luzhu Road West, Xindu District, Chengdu City, Sichuan Province, PRC (the "**Chengdu Project**")	July 2020	Shopping mall for hospitality supplies	As a mid-to-high-end one-stop hotel supplies city in southwest China, and a professional market for branded hotel supplies in the southwest region, which integrates professional hotel supplies display, wholesale and retail, creative design, product customization and logistics distribution.	Approximately HK$32.0 million	Approximately HK$7.9 million	Approximately 4 years	Approximately 4 years
2.	No. 75 Dongming South Road, Erligang Street, Guancheng Huizu District, Zhengzhou City, Henan Province, PRC (the "**Zhengzhou Project**")	July 2021	Shopping mall for hospitality supplies	As a mid-to high-end one-stop hotel supplies city in the central region of China.	Approximately HK$16.8 million	Approximately HK$6.9 million	Approximately 4 years	Approximately 5 years
3.	No. 850 Panyu Road, Jianxin Town, Cangshan District, Fuzhou City, Fujian Province, PRC (the "**Fuzhou Project**")	July 2021	Shopping mall for hospitality supplies	As a high-end one-stop hotel supplies city in Fujian Province.	Approximately HK$25.6 million	Approximately HK$8.6 million	Approximately 4 years	Approximately 5 years

Notes:

1. Breakeven period represents the period of time in which the total cash inflow generated from the shopping mall covers the total cash outflow of operating the shopping mall.

2. Payback period represents the period of time in which the accumulated net profit generated cover the use of proceeds spent on the proposed shopping mall. For the calculation of the payback period, net profit is calculated by deducting the rental expenses, selling expenses and administrative expenses from rental income and management fee plus income tax.

3. The expected breakeven period and investment payback period set out above may vary and are dependent on multiple factors including, among others, (i) market conditions; (ii) the traffic around that area; (iii) prevailing market rent upon the landlord leasing the properties to us; and (iv) expenses and effectiveness of our marketing strategies.

It is expected that the tenants portfolio of each of our shopping malls will cover the national and international brand manufacturers and provincial distributors, the top-notched manufacturer and famous product combination in the industry. The commodity categories mainly include kitchen equipment and supplies, ceramic tableware and hotel linen, hotel room supplies, glassware, hotel lighting, coffee equipment and supplies, hotel cleaning products, disposable hotel supplies, hotel apparel, etc.

Chengdu Project

The lettable area of the proposed shopping mall consist of one storey of approximately 30,000 sq.m, two storeys of approximately 25,000 sq.m and three storeys of approximately 25,000 sq.m. Approximately 150 tea suppliers are currently occupying approximately 25,500 sq.m. and approximately 37,500 sq.m. are unoccupied and hospitality suppliers are currently occupying approximately 17,000 sq.m.

As stipulated in the letter of intent, subject to the final agreement, the proposed lease term would be 15 years with a right of renewal and termination clause with a compensation mechanism to the other party by the party who exercises such clause. In the event that the landlord terminates the lease with us without any cause, the landlord shall indemnify us for all loss and expenses incurred during the contract period, including our decoration fee, marketing expenses, salary and office expenses for the operation of the shopping mall. Similarly, we are liable to compensate the landlord if we terminate the lease without any cause, including the confiscation of our rental security deposit and payment of the remaining rent for the whole contract period.

Despite the fact that the occupancy rate of our proposed shopping mall at Chengdu is approximately 53.2%*(Note)* and that the occupancy rate with respect to the existing tenants selling hospitality supplies and tea supplies is approximately 85% and 85%, respectively, as advised by the Company, Chengdu Project can quickly achieve a high occupancy rate, given (i) the prevailing market occupancy rate of hospitality shopping mall is above 90%; (ii) most of the tenants of the proposed shopping mall in hospitality supplies sector will be expired in 2020, with the intention of business cooperation with us, the landlord will renew contract with these tenants for one year to facilitate transition; (iii) we offer rent-free period and competitive rental rate to the tenants; (iv) as the market leader, we attract leading brands and anchor tenants easily; and (v) we intend to maintain the lease agreement with the existing tenants selling tea supplies during the transition period until they expire as the proposed shopping mall is also a famous tea supplies market in the region.

We have reached an agreement with the landlord with respect to the arrangement of the existing tenants at the proposed shopping mall. We will execute a tripartite agreement with all existing tenants and the landlord stipulating that: (i) pursuant to our project agreement to be entered into with the landlord, the landlord will renew the contract with all existing tenants for one year with the same terms and rental rate as stated in their original contract; (ii) upon expiration of the renewed contract, all existing tenants will enter into a new contract with us on the basis that all terms and rental rates will be determined by us if they wish to continue their business in the shopping mall; (iii) we are solely entitled to all rental income generated from the existing tenants after we take over the management, control and operation of the proposed shopping mall and the landlord will completely withdraw from the management, control and operation of the shopping mall; and (iv) we intend to fulfil the

Note: The current occupancy rate of our proposed shopping mall at Chengdu is over 85% when the computation of such occupancy rate does not take into account the unoccupied 30,000 sq.m. as such area has not been put up for leasing.

remaining period of the existing contracts with the existing tenants which have not yet expired at the time we take over the management, control and operation of the proposed shopping mall.

Most contracts of the existing tenants selling tea supplies will expire in 2020. After we take over the management, control and operation of the proposed shopping mall, the existing tenants selling tea supplies are able to continue their operation at the proposed shopping mall according to their existing contracts with the landlord. We are solely entitled to all rental income generated from the existing tenants after we take over the management, control and operation of the proposed shopping mall and the landlord will completely withdraw from the management, control and operation of the shopping mall. Upon expiration of such contracts, we do not intend to renew their contract with us in light of our business focus on hospitality supplies. The landlord will relocate the tenants selling tea supplies to another shopping mall. On 8 August 2019, we organized and held a business solicitation registration whereby about 130 brands expressed their interests in renting an aggregate of approximately 54,380 sq.m. of our proposed shopping mall in Chengdu.

Our Group has repeatedly inspected the Chengdu market. According to the characteristics of Chengdu being the largest tourism and leisure city in Southwest China, we implemented our shopping mall positioning ideas and initially formulated the implementation plan: the first floor is the situational consumption area, the second floor is the refined living area, and the third floor is fashion and entrepreneurship area. Our mall planning is clear and we trust we can accurately target our tenant groups, allowing our marketing staff to directly target customers, improve work efficiency and achieve business goals. The following table summarizes our mall planning.

	1st floor	**2nd floor**	**3rd floor**
Positioning	situational consumption area	refined living area	fashion and entrepreneurship area
Category of products	Hotel room supplies, ceramics, cleaning equipment, glassware, special leisure teahouses, special leisure pubs, home textiles consumption area	western-style catering, light dining, coffee supplies, wine cabinets, stainless steel products, and water purification equipment	Hotel supplies area with the theme of bars, nightclubs, healthy living halls, wedding venues, small specialty retails, and creative fashion
Target tenants	Existing tenants in Xinji Shaxi Hospitality Supplies Expo Center	Existing local tenants in Chengdu	Groups of young start-up entrepreneurs

In addition, we intend to promote our Chengdu Project by organizing different kinds of promotional and marketing campaigns or other events to stimulate and maintain the interests of consumers so as to maintain a high occupancy rate at the proposed shopping mall. Such events include seasonal or festive sales during key Chinese festivals and placing advertisements through radio, internet, magazine, newspaper and MTR billboard, distributing leaflets, hosting of specific events and exhibitions.

Furthermore, the Chengdu Province Hospitality Association* (四川省酒店用品行業協會) is one of the member units of the CHSA. We will be able to utilize their resources and network for organizing promotional events to rapidly expand the influence of the Chengdu Project in the hospitality supplies industry.

Zhengzhou Project

The lettable area of proposed shopping mall consist of one storey of approximately 30,000 sq.m, two storeys of approximately 5,000 sq.m and three storeys of approximately 5,000 sq.m. The shopping mall complex features an archaic architectural and street-facing design where the low level floor consists of larger floor area and some buildings inside the mall are built without two and three storeys.

As stipulated in the letter of intent entered into between the landlord and our Group, subject to the final project agreement, the proposed lease term would be 10 years with a right of renewal and termination clause with a compensation mechanism to the other party by the party who exercises such clause. In the event that the landlord terminates the lease with us without any cause, the landlord shall indemnify us for all loss and expenses incurred during the contract period, including our decoration fee, marketing expenses, salary and office expenses for the operation of the shopping mall. Similarly, we are liable to compensate the landlord if we terminate the lease without any cause, including the confiscation of our rental security deposit and payment of the remaining rent for the whole contract period.

Approximately 85% and 15% of the contracts with the existing tenants will expire in 2020 and early 2021, respectively. The current occupancy rate of our proposed shopping mall is around 90% with tenants offering a variety of hospitality products such as kitchen supplies, utensils, room supplies, glass products, textiles and furniture. On 8 August 2019, we organized and held a business solicitation registration whereby around 57 brands expressed their interests in renting an aggregate of not less than 33,800 sq.m. of our proposed shopping mall in Zhengzhou.

We have reached an agreement with the landlord with respect to the arrangement of the existing tenants at the proposed shopping mall. We will execute a tripartite agreement with all existing tenants and the landlord stipulating that: (i) pursuant to our project agreement to be entered into with the landlord, the landlord will renew the contract with all existing tenants for one year with the same terms and rental rate as stated in their original contract; (ii) upon expiration of the renewed contract, all existing tenants will enter into a new contract with us on the basis that all terms and rental rates will be determined by us if they wish to continue their business in the shopping mall; (iii) we are solely entitled to all rental income generated from the existing tenants after we take over the management, control and operation of the proposed shopping mall and the landlord will completely withdraw from the management, control and operation of the shopping mall; and (iv) we intend to fulfil the remaining period of the existing contracts with the existing tenants which have not yet expired at the time we take over the management, control and operation of the proposed shopping mall.

Fuzhou Project

The lettable area of the proposed shopping mall consist of one storey of approximately 30,000 sq.m, two storeys of approximately 15,000 sq.m and three storeys of approximately 5,000 sq.m. The current occupancy rate of our proposed shopping mall is around 90% with tenants offering a variety of hospitality products such as glass products, textiles, stainless steel products, coffee equipment, furniture and kitchen supplies. On 8 August 2019, we organized and held a business solicitation registration whereby around 81 brands expressed their interests in renting an aggregate of not less than 41,250 sq.m. of our proposed shopping mall in Fuzhou.

As stipulated in the letter of intent entered into between the landlord and our Group, subject to the final project agreement, the proposed lease term would be 10 years with a right of renewal and termination clause with a compensation mechanism to the other party by the party who exercises such clause. In the event that the landlord terminates the lease with us without any cause, the landlord shall indemnify us for all loss and expenses incurred during the contract period, including our decoration fee, marketing expenses, salary and office expenses for the operation of the shopping mall. Similarly, we are liable to compensate the landlord if we terminate the lease without any cause, including the confiscation of our rental security deposit and payment of the remaining rent for the whole contract period.

We have reached an agreement with the landlord with respect to the arrangement of the existing tenants at the proposed shopping mall. We will execute a tripartite agreement with all existing tenants and the landlord stipulating that: (i) pursuant to our project agreement to be entered into with the landlord, the landlord will renew the contract with all existing tenants for one year with the same terms and rental rate as stated in their original contract; (ii) upon expiration of the renewed contract, all existing tenants will enter into a new contract with us on the basis that all terms and rental rates will be determined by us if they wish to continue their business in the shopping mall; (iii) we are solely entitled to all rental income generated from the existing tenants after we take over the management, control and operation of the proposed shopping mall and the landlord will completely withdraw from the management, control and operation of the shopping mall; and (iv) we intend to fulfil the remaining period of the existing contracts with the existing tenants which have not yet expired at the time we take over the management, control and operation of the proposed shopping mall.

We believe we are able to capture the market growth based on the followings:

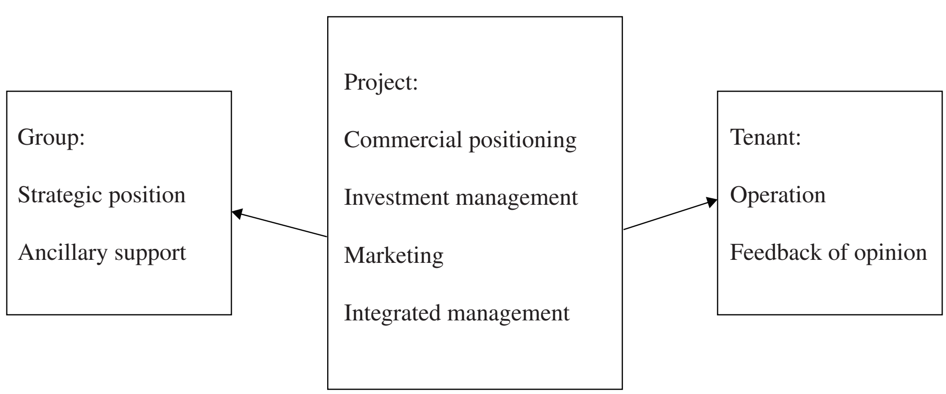
1) *Clear project positioning*

According to Frost & Sullivan, there is only one current large and professional hospitality supplies shopping mall in Zhengzhou and Fuzhou which offers specialized hospitality supplies with comprehensive product portfolios and brands to clients who are seeking a one-stop procurement experience. Such hospitality shopping malls are the proposed shopping malls under the Group's expansion plan and their current market position is low-to-mid end. With the increasing upgrading of consumption of hospitality supplies products in China, the traditional market for hospitality supplies is also facing an increasing need for market upgrade, including the upgrade and renovation of premises which requires a large capital investment.

As such, we intend to create a mid-to-high end one-stop hospitality supplies mall in Central China with respect to the Zhengzhou Project. The brand status will be mid-to-high end hospitality supplies, providing a one-stop all-in-one business combination for the hospitality industry and catering industry in Central China. For the Fuzhou Project, we intend to build a mid-to-high end one-stop hospitality supplies mall in the Fujian Province. The brand grades that are settled in will be mid-to-high end hospitality supplies, providing a one-stop all-in-one business combination for the hospitality industry and catering industry in Fujian.

Compared to the existing players in Zhengzhou and Fuzhou, the Group is more experienced and has better expertise, financial and human resources for the management, operation and overall upgrade of the proposed shopping malls in order to provide a better and more high-end business environment for tenants in the hospitality industry.

2) *Solicit group support before the project operation process, and serve tenants in the project operation process*



We will provide strategic position and ancillary support to tenants at the proposed shopping malls, such as assisting them to explore their commercial positioning, providing advice on the investment management, marketing and integrated management for their business operation. We will regularly discuss with tenants so that we could understand their needs and receive feedback on our management of the proposed shopping malls. We believe effective communications with the tenants are crucial for strengthening and improving our services and brand image.

3) Implementation of preparatory operations

We will carry out a comprehensive upgrade of the leased property, by utilizing the net proceeds of the Global Offering, complete the quality improvement of the building facade, public areas, consumption line optimization, property services, etc., and quickly establish the brand image of the mid-to-high end hotel supplies city in Zhengzhou and Fuzhou projects.

4) Implementation of characteristic operations according to the regional characteristics of the project

We will formulate a comprehensive promotion budget plan before and after the commencement of operations, and conduct online media promotion for the target customers (outdoor billboards, radio advertisements, professional paper media, leaflets, Internet media, etc.). Accurate promotion of offline activities (organizing local hotel industry, catering industry and other professional customers, wealth salons, opening promotions, industry forums, etc.), spurring local market hotspots, quickly establishing project brand awareness and expanding industry influence. In addition, combined with the characteristics of Zhengzhou market to radiate the surrounding provinces of Central China, we plan to hold the ‘‘Huazhong Six Province Hotel Supplies Purchasing Festival’’ once a year, attracting professional buyers such as hotels, restaurants and commercial merchants from Henan Province, Shanxi Province, Hubei Province, Anhui Province, Hunan Province and Jiangxi Province and forming the brand radiation effect in Central China. For the Fujian project, we will also fully consider the characteristics of frequent cross-strait trade exchanges. We plan to hold the ‘‘Straits Cross-Strait Hotel Supplies Purchasing Festival’’ to attract overseas buyers such as Taiwan and Southeast Asia to form regular activities and gradually expand brand influence.

In addition, the Henan Province Hospitality Association* (河南省酒店用品行業協會) and the Fujian Province Hospitality Association* (福建省酒店用品行業協會) are both member units of the CHSA. We will be able to utilize their resources and network for organizing promotional events to rapidly expand the influence of each of the Zhengzhou Project and Fuzhou Project in the hospitality supplies industry.

The expected breakeven period and investment payback period of the three new shopping malls under our business expansion plan are based on the following assumptions:

- we expect to grant a rent-free period of two years for a lease term of four years to potential tenants as an incentive to attract new tenants;
- the occupancy rate of the total lettable area is expected to be approximately 85% with reference to the occupancy rate of similar properties recorded in Chengdu, Zhengzhou and Fuzhou, respectively;
- the average management service fee income is expected to be approximately RMB10/sq.m. per month for the whole lease term with reference to the prevailing market rates;
- the average rental income is expected to be approximately RMB65/sq.m. per month for shopping malls in Chengdu, RMB93/sq.m. per month for shopping malls in Zhengzhou and RMB93/sq.m. per month for shopping malls in Fuzhou, respectively, with reference to the prevailing market rates and similar shopping malls located in the proximity;
- we intend to utilize our net proceeds of approximately HK$174.3 million (or 73.9%) from the Global Offering, among which, the capital expenditure for the shopping mall in Chengdu, Zhengzhou and Fuzhou is expected to be approximately HK$32.0 million, HK$16.8 million and HK$25.6 million, respectively; the other expenditure for the shopping mall in Chengdu, Zhengzhou and Fuzhou is expected to be approximately HK$37.3 million, HK$27.5 million and HK$35.1 million, respectively;
- After 2022, the other remaining expenditure is expected to amount to approximately HK$111.3 million and it will be funded by our internal resources, mainly derived from our net cash inflow generated from our operations; and
- the annual operation cost is expected to be incurred in accordance with the implantation plans set out below, including but not limited to utility expenses, property maintenance fee, management fees, staff costs, sales and marketing fees, bonus and tax and other levies (excluding income tax).

The implementation plans for each of the six-month periods until 30 June 2023 for carrying out our business strategies are set out below. The following implementation plans are formulated on the bases and assumptions set out in the paragraph headed "Bases and key assumptions" below in this section and are inherently subject to uncertainties, variables and unpredictable factors, in particular, the risk factors set out in the section headed "Risk Factors" in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There is no assurance that the implementation plans will materialise in accordance with the timetable below or that our business objectives will be accomplished at all.

(a) From the Latest Practicable Date to 31 December 2019

Business strategies	Implementation activities	Source of funding
Repayment of bank borrowings	Repayment of a bank facility with an outstanding balance of approximately RMB454 million at an interest rate of 6.73% to 6.86% per annum and a maturity date of 23 July 2026	Approximately HK$61.5 million of the net proceeds from the Global Offering

(b) From 1 January 2020 to 30 June 2020

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	Launching a new shopping mall project at a site with a lettable area of approximately 80,000 sq.m. in Chengdu, China: – Payment of rental security deposit of HK$5.0 million for the lease of the premises in which the shopping mall is situated – Renovation and construction works in the public area of the site of approximately 64,000 sq.m. and is expected to be approximately HK$10.0 million pursuant to the schedule of the supply contract – Payment of utility expenses and office management fee for daily operation, as to the balance	Approximately HK$15.1 million of the net proceeds from the Global Offering

(c) From 1 July 2020 to 31 December 2020

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	Launching a new shopping mall project at a site with a lettable area of approximately 80,000 sq.m. in Chengdu, China: – Renovation and construction works in the public area of the site of approximately 64,000 sq.m. and is expected to be approximately HK$18.0 million pursuant to the schedule of the supply contract – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.8 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Bonus scheme for recognizing staff performance which is expected to be HK$0.8 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	Approximately HK$20.7 million of the net proceeds from the Global Offering

(d) From 1 January 2021 to 30 June 2021

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	(i) Launching a new shopping mall project at a site with a lettable area of approximately 80,000 sq.m. in Chengdu, China: – Renovation and construction works in the public area of the site of approximately 64,000 sq.m. and is expected to be approximately HK$4.0 million pursuant to the schedule of the supply contract – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.9 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.8 million – Payment of tax and other levies amounting to approximately HK$1.0 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$0.8 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	Approximately HK$48.7 million of the net proceeds from the Global Offering

Business strategies	Implementation activities	Source of funding
	(ii) Launching a new shopping mall project at a site with a lettable area of approximately 50,000 sq.m. in Fuzhou, China: – Payment of rental security deposit of HK$5.0 million for the lease of the premises in which the shopping mall is situated – Renovation and construction works in the public area of the site of approximately 32,000 sq.m. and is expected to be approximately HK$20.0 million pursuant to the schedule of the supply contract – Payment of utility expenses and office management fee for daily operation, as to the balance	
	(iii) Launching a new shopping mall at a site with a lettable area of approximately 40,000 sq.m. in Zhengzhou, China: – Payment of rental security deposit of HK$5.0 million – Renovation and construction works in the public area of the site of approximately 24,000 sq.m. and is expected to be approximately HK$10.0 million pursuant to the schedule of the supply contract – Payment of utility expenses and office management fee for daily operation, as to the balance	

(e) From 1 July 2021 to 31 December 2021

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	(i) Launching a new shopping mall project at a site with a lettable area of approximately 80,000 sq.m. in Chengdu, China: – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.9 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.8 million – Payment of tax and other levies amounting to approximately HK$1.0 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$0.8 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance (ii) Launching a new shopping mall project at a site with a lettable area of approximately 50,000 sq.m. in Fuzhou, China: – Renovation and construction works in the public area of the site of approximately 32,000 sq.m. and is expected to be approximately HK$5.6 million pursuant to the schedule of the supply contract – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.8 million	Approximately HK$21.5 million of the net proceeds from the Global Offering

Business strategies	Implementation activities	Source of funding
	– Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Bonus scheme for recognizing staff performance which is expected to be HK$1.0 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance (iii) Launching a new shopping mall at a site with a lettable area of approximately 40,000 sq.m. in Zhengzhou, China: – Renovation and construction works in the public area of the site of approximately 24,000 sq.m. and is expected to be approximately HK$6.8 million pursuant to the schedule of the supply contract – Recruitment and staff cost of a team of 18 staff members (1 project manager, 6 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.45 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Bonus scheme for recognizing staff performance which is expected to be HK$0.6 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	

(f) From 1 January 2022 to 30 June 2022

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	(i) Launching a new shopping mall project at a site with a lettable area of approximately 80,000 sq.m. in Chengdu, China: – Payment of rent of approximately HK$19.2 million – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.45 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.4 million – Payment of tax and other levies amounting to approximately HK$0.5 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$0.4 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	Approximately HK$28.5 million of the net proceeds from the Global Offering

Business strategies	Implementation activities	Source of funding
	(ii) Launching a new shopping mall project at a site with a lettable area of approximately 50,000 sq.m. in Fuzhou, China: – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.9 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Payment of tax and other levies amounting to approximately HK$1.0 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$1.0 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	

Business strategies	Implementation activities	Source of funding
	(iii) Launching a new shopping mall at a site with a lettable area of approximately 40,000 sq.m. in Zhengzhou, China: – Recruitment and staff cost of a team of 18 staff members (1 project manager, 6 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.5 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Payment of tax and other levies amounting to approximately HK$0.6 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$0.6 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	

(g) From 1 July 2022 to 31 December 2022

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	(i) Launching a new shopping mall project at a site with a lettable area of approximately 50,000 sq.m. in Fuzhou, China: – Recruitment and staff cost of a team of 20 staff members (1 project manager, 8 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.9 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance – Payment of tax and other levies amounting to approximately HK$1.0 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$1.0 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million	Approximately HK$39.8 million of the net proceeds from the Global Offering

Business strategies	Implementation activities	Source of funding
	(ii) Launching a new shopping mall at a site with a lettable area of approximately 40,000 sq.m. in Zhengzhou, China: – Recruitment and staff cost of a team of 18 staff members (1 project manager, 6 investment management personnel, 6 administrative personnel and 5 financial personnel), which is expected to amount to approximately HK$0.6 million – Organizing sales and marketing events to enhance our brand awareness, which is expected to amount to approximately HK$0.6 million – Payment of tax and other levies amounting to approximately HK$0.6 million which are expected to be incurred upon commencement of operation – Bonus scheme for recognizing staff performance which is expected to be HK$0.6 million – Payment of utility expenses, property maintenance fee and office management fee for daily operation, as to the balance	

(h) From 1 January 2023 to 30 June 2023

Business strategies	Implementation activities	Source of funding
Expand our business network and market share by launching new shopping malls	(i) Launching a new shopping mall project at a site with a lettable area of approximately 50,000 sq.m. in Fuzhou, China: – Payment of rent of approximately HK$18.0 million (ii) Launching a new shopping mall at a site with a lettable area of approximately 40,000 sq.m. in Zhengzhou, China: – Payment of rent of approximately HK$14.4 million	Approximately HK$32.4 million of the net proceeds from the Global Offering

In summary, the implementation plans of our Group's business objectives and strategies from the Latest Practicable Date to 30 June 2023 will be funded by the net proceeds from the Global Offering as follows:

Business strategies	From the Latest Practicable Date to 31 December 2019	From 1 January 2020 to 30 June 2020	From 1 July 2020 to 31 December 2020	From 1 January 2021 to 30 June 2021	From 1 July 2021 to 31 December 2021	From 1 January 2022 to 30 June 2022	From 1 July 2022 to 31 December 2022	From 1 January 2023 to 30 June 2023	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repayment of bank facilities	61,512	—	—	—	—	—	—	—	61,512
Expand our business network and market share by launching new shopping malls	—	15,150	20,700	48,680	21,512	28,460	7,369	32,400	174,271
									235,783

Bases and key assumptions:

The implementation plans are based on the following bases and key assumptions:

- there will be no material changes in the existing applicable laws, policies or industry or regulatory treatment or in the political, fiscal, foreign trade or economic conditions in Hong Kong, PRC and other places in which our Group operates or intends to operate;
- there will be no significant changes in the interest rates or the currency exchange rates from those currently prevailing;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- the Global Offering will be completed in accordance with and as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus;
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus; and
- our Group will be able to continue our operation in substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or the implementation of our development plans.

(D) Reasons the Existing Tenants would like to work with our Group

The Group's existing tenants (the "Existing Tenants") would like to cooperate with the Group instead of the existing players in the new markets for the following reasons: -

(i) The Group has accumulated over 15 years of experience in the shopping malls operation industry in China. In 2018, the Group operated the largest hospitality supplies shopping mall in China in terms of operating areas and rental revenues according to the Industry Consultant;

(ii) The Group initiated the establishment of the CHSA and has been the chairman unit (會長單位) since its foundation in June 2013. The CHSA is a national industrial association of companies engaged in hospitality supplies industry authorized by the Ministry of Civil Affairs of the PRC (中華人民共和國民政部). Currently, it has over 2,000 members in China. Such reputation is a key factor in attracting the Existing Tenants. According to the information provided by CHSA, more than 250 Existing Tenants are members of CHSA. In particular, Henan Province Hospitality Association* (河南省酒店用品行業協會) and the Fujian Province Hospitality Association* (福建省酒店用品行業協會) are member units of the CHSA. We will be able to utilize their resources and network to attract Existing Tenants for the Zhengzhou Project and Fuzhou Project;

(iii) The Group has nurtured many famous brands in the hospitality supplies industry in China. Among the top 100 list of China's hospitality supplies industry, 40 enterprises have established stores at the Group's existing shopping malls due to the industry's recognition of the "Xinji Shaxi" brand;

(iv) There is a demand for hospitality shopping malls selling mid-to-high end hospitality products resulted from the increasing upgrading of consumption of hospitality supplies products in China. According to Frost & Sullivan, there is only one current large and professional hospitality supplies shopping mall in Zhengzhou and Fuzhou which offers specialized hospitality supplies with comprehensive product portfolios and brands to clients who are seeking a one-stop procurement experience. Such hospitality shopping malls are the proposed shopping malls under the Group's expansion plan and their current market position is low-to-mid end. Compared to the existing players in the new markets, the Group is more experienced and has better expertise, financial and human resources for the management and operation of the proposed shopping malls in order to provide a better and more high-end business environment for the existing tenants;

(v) Rental discounts would be offered to the Existing Tenants by the Group, including a rent-free period of two years as an incentive to cooperate with the Group;

(vi) The existing players of the new markets have the following issues and disadvantages compared to the shopping malls to be organized by the Group: -

(a) the existing players of the new markets are inexperienced in managing shopping malls for hospitality supplies. For example, Company A which is our greatest competitor in the Chengdu market, is currently managed by a company which focuses on residential real estate development, which lacks the experience of commercial management, in particular the management of shopping malls for hospitality supplies; and

(b) as opposed to the Group's rent-free period mentioned in paragraph (v) above, the existing players of the new markets are not able to provide a rent-free period of two years. For example, according to the market information, Company A could only provide a rent-free period of less than 6 months to its tenants.

Considering the above, the Existing Tenants would like to cooperate with the Group instead of the existing players in the new markets.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of eleven Directors, comprising four executive Directors, three non-executive Directors and four independent non-executive Directors. The following table sets forth certain information concerning our Directors:

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Cheung Hon Chuen (張漢泉)	54	Chairman, executive Director and chief executive officer	27 July 2018	8 January 2002	Formulating strategic direction and overseeing the management and business operation of our Group	Nil
Mei Zuoting (梅佐挺)	65	Executive Director	11 March 2019	8 January 2002	Overseeing the management and business operation of our Group	Nil
Zhang Weixin (張偉新)	56	Executive Director	11 March 2019	8 January 2002	Overseeing the management and business operation of our Group	Nil
Jin Chunyan (靳春雁)	45	Executive Director and chief financial officer	11 March 2019	20 April 2018	Overseeing the finance and business operation of our Group	Nil

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Non-executive Directors						
Yu Xuecong (余學聰)	48	Non-executive Director	11 March 2019	11 March 2019	Formulating strategic direction and development plan of our Group	Nil
Li Zhanpeng (黎展鵬)	46	Non-executive Director	11 March 2019	10 November 2003	Formulating strategic direction and development plan of our Group	Nil
Wu Jianxun (吳建勛)	63	Non-executive Director	11 March 2019	11 March 2019	Formulating strategic direction and development plan of our Group	Nil
Independent non-executive Directors						
Liu Eping (劉娥平)	56	Independent non-executive Director	3 October 2019	3 October 2019	Supervising and providing independent judgment to our Board	Nil
Chen Tusheng (陳土勝)	45	Independent non-executive Director	3 October 2019	3 October 2019	Supervising and providing independent judgment to our Board	Nil
Tan Michael Zhen Shan (譚鎮山)	43	Independent non-executive Director	3 October 2019	3 October 2019	Supervising and providing independent judgment to our Board	Nil
Zheng Decheng (鄭德珵)	67	Independent non-executive Director	3 October 2019	3 October 2019	Supervising and providing independent judgment to our Board	Nil

The following table sets forth certain information concerning our senior management members:

Name	Age	Position	Date of appointment of current position	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Hong Zongwen (洪宗文)	45	General manager of the commercial operation centre of our Company	1 August 2018	1 October 2016	Managing the commercial operation centre of our Company	Nil
Zhang Fan (張帆)	44	Director of the finance department of Guangzhou Shaxi Hotel	6 September 2010	6 September 2010	Managing the finance department of Guangzhou Shaxi Hotel	Nil
Zhong Daomai (鐘道邁)	44	Secretary of the board and the general manager of the legal management centre of our Company	1 August 2018	1 August 2018	Managing the legal management centre of our Company	Nil

Directors

Executive Directors

Mr. Cheung Hon Chuen (張漢泉), aged 54, was appointed as our Director on 27 July 2018. He was redesignated as an executive Director and appointed as the chairman of the Board and the chief executive officer of our Company on 11 March 2019, and is primarily responsible for formulating strategic direction and overseeing the management and business operation of our Group. He is one of the founders of our Group, one of our Controlling Shareholders, and the president of each of our operating subsidiaries in the PRC since their respective date of incorporation.

Mr. Cheung founded Xinji Company and has been the chairman and the president of Xinji Company since November 1998, mainly responsible for the general management of the Xinji Group.

Mr. Cheung is the industry leader and industry development vane for China hospitality supplies industry. In January 2006, he established the Guangdong Hotel Supplies Industry Association* (廣東省酒店用品行業協會) and was the chairman of the association from June 2006 to February 2013. He further established CHSA in June 2013 and has been the chairman of CHSA since then. CHSA is a national industrial association of companies in hospitality supplies industry authorised by the Ministry of Civil Affairs of the PRC (中華人民共和國民政部). Currently, it has over 2,000 members in China.

In addition, Mr. Cheung has served in several organisations in the PRC, including the positions being set forth in the following table:–

Year	Name of Organisation	Position
2014–present	Guangdong Chamber of International Commerce (廣東國際商會)	Vice chairman of the 6th session of the board of directors
2016–present	Guangdong Chamber of Private Enterprise* (廣東省民營企業商會)	Executive president of the 8th council
2017–present	Guangdong Kitchen Association* (廣東省廚具協會)	Honorary president
2017–present	United Chamber of Commerce (Main Chamber) in Guangdong* (廣東省工商業聯合會(總商會))	Committee member of the 12th Committee

Mr. Cheung obtained a Master of Business Administration for Senior Management degree from Sun Yat-sen University in the PRC in June 2013. In addition, he completed the 1st China Chamber of Commerce chairman high level programme* (首屆中國商會會長高級研修班) held by the Executive Development Programs Union China, which was co-organised by Xiamen University, Zhejiang University, Nanjing University and Sun Yat-sen University in the PRC in November 2017.

Mr. Cheung was a director of the following companies:

Company name	Place of incorporation	Date of dissolution	Means of dissolution	Reason of deregistration
Guangzhou Xinji Hotel Company Limited* (廣州信基大酒店有限公司)	PRC	8 April 2016	Deregistration	ceased to carry out business
Foshan Shunde Heying Mobile Company Limited* (佛山市順德區合盈汽車有限公司)	PRC	13 April 2006	Deregistration	ceased to carry out business

Company name	Place of incorporation	Date of dissolution	Means of dissolution	Reason of deregistration
Xinji Shaxi International Investment Company Limited* (信基沙溪國際投資有限公司)	PRC	17 November 2017	Deregistration	ceased to carry out business
Xinji Asia-Pacific Group Limited (信基亞太集團有限公司)	Hong Kong	4 May 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Chengdu Xinji Runmao Investment Company Limited* (成都信基潤茂投資有限公司)	PRC	22 May 2018	Deregistration	ceased to carry out business
Xinji International Development Limited (信基國際發展有限公司)	Hong Kong	25 May 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Xinji Asia Group Limited (信基亞洲集團有限公司)	Hong Kong	8 June 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Xinji (China) Group Limited (信基(中國)集團有限公司)	Hong Kong	15 June 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Xinji Group Holding Limited (信基集團控股有限公司)	Hong Kong	20 July 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Xinji Shaxi International Limited (信基沙溪國際有限公司)	Hong Kong	9 November 2018	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business

Mr. Cheung confirmed the above companies were solvent at the time when it was dissolved and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Mei Zuoting (梅佐挺), aged 65, was appointed as our Director and redesignated as an executive Director on 11 March 2019, and is primarily responsible for overseeing the management and business operation of our Group. He is one of the founders of our Group and one of our Controlling Shareholders.

Mr. Mei has been a director and a vice president of Xinji Company since November 1998, mainly responsible for assisting the president of Xinji Company in managing the Xinji Group.

Mr. Mei has served in several organisations in the PRC, including the positions being set forth in the following table:

Year	Name of Organisation	Position
2004	Chamber of Commerce of Members directly under the Guangdong Federation of Industry and Commerce* (廣東省工商聯直屬會員商會) and Guangdong Investment Chamber of Commerce* (廣東省工商聯投資商會)	Vice president of the 3rd council
2008	Guangdong Investment Chamber of Commerce of Private Enterprises* (廣東省民營企業投資商會) and Chamber of Commerce of Members directly under the Guangdong Federation of Industry and Commerce* (廣東省工商聯直屬會員商會)	Vice president of the 2nd council and vice president of 5th council
2012	United Chamber of Commerce (Main Chamber) in Guangdong* (廣東省工商業聯合會(總商會))	Committee member of the 11th Committee

Mr. Mei obtained a diploma of Master of Business Administration (long distance course) from University of Northern Virginia (non-accredited) in the United States in June 2009.

Mr. Zhang Weixin (張偉新), aged 56, was appointed as our Director and redesignated as an executive Director on 11 March 2019, and is primarily responsible for overseeing the management and business operation of our Group. He is one of the founders of our Group and one of our Controlling Shareholders.

Mr. Zhang has been a director and a vice president of Xinji Company since November 1998, mainly responsible for assisting the president in managing the operation of the Xinji Group.

Mr. Zhang has served in several organisations in the PRC, including the positions being set forth in the following table:–

Year	Name of Organisation	Position
2012	Working Committee of the Standing Committee of the National People's Congress of Luopu Street of Panyu in Guangzhou* (廣州市番禺區人大常委會洛浦街道工作委員會)	Committee member
2013	Chamber of Commerce of Donghuan Street of Panyu in Guangzhou* (廣州市番禺區東環街商會)	Vice president of the 4th council
2013	Chamber of Commerce of Luopu Street of Panyu in Guangzhou* (廣州市番禺區洛浦街商會)	Vice president of the 3rd council

Mr. Zhang completed his secondary education in Foshan City Shunde District Longjiang Longshan Junior Middle School in Foshan in the PRC in July 1982.

Mr. Zhang was a director of the following companies in the PRC:

Company name	Date of dissolution	Means of dissolution	Reason of deregistration
Guangzhou Xinchi Mobile Trading Company Limited* (廣州市信馳汽車貿易有限公司	6 December 2006	Deregistration	ceased to carry out business
Dongguan Xinji Bainian Development Company Limited* (東莞信基百年置業有限公司)	19 December 2016	Deregistration	ceased to carry out business
Guagnzhou Jianai Xinji Accessories Company Limited* (廣州市簡愛信基飾品有限公司)	30 November 2017	Deregistration	ceased to carry out business
Guagnzhou Xinji Logistics Company Limited* (廣州信基物流有限公司)	30 November 2017	Deregistration	ceased to carry out business
Chengdu Xinji Runmao Investment Company Limited* (成都信基潤茂投資有限公司)	22 May 2018	Deregistration	ceased to carry out business

Mr. Zhang confirmed the above companies were solvent at the time when it was dissolved and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Ms. Jin Chunyan (靳春雁), aged 45, was appointed as our Director and redesignated as an executive Director on 11 March 2019. She joined our Group in 20 April 2018 as the chairman of Guangzhou Xinji Dajing, and was later appointed as our chief financial officer in 1 August 2018, primarily responsible for overseeing the finance and business operation of our Group.

Ms. Jin has over 20 years of experience in finance and accounting. From July 1998 to March 2006, Ms. Jin worked as an accountant in Guangdong Nanhai Chemical Industry Co., Ltd.* (廣東省南海化工總廠有限公司), which principally engaged in manufacturing and the sale of civil explosion equipments, and was mainly responsible for internal audit and accounting. From April 2006 to April 2008, she worked as the chief financial officer of Foshan Oulande Yanmo Company Limited* (佛山市歐藍德研磨有限公司), which principally engaged in manufacturing of abrasives, and was mainly responsible for planning the policy and procedure of the finance system, analysing financial result and preparing the budget of the company. From May 2008 to May 2012, she worked as the assistant to the vice-general manager of Foao Group Co. Ltd.* (佛奧集團有限公司), which principally engaged in property development, and she was mainly responsible for the overall financial management work of the company. During her employment in Foshan Shunde Foao Group Co. Ltd.*, she was awarded the "Excellent Manager" prize in January 2011 and "Excellent Senior Manager" prize in December 2011. From May 2012 to July 2018, Ms. Jin worked as the chief financial officer of Xinji Company and was mainly responsible for managing the finance centre of the company.

Ms. Jin graduated from South China Normal University with a Bachelor of Economics degree in December 2003. She obtained a Master of Business Administration degree from Sun Yat-sen University in the PRC in June 2015. In addition, Ms. Jin has been recognised as a Microsoft Certified Professional Systems Engineer by Microsoft Corporation since 2001. She also obtained the qualification of being a medium level certified public accountant under the Ministry of Finance of the PRC in May 2004.

Non-executive Directors

Mr. Yu Xuecong (余學聰), aged 48, was appointed as our Director and redesignated as a non-executive Director on 11 March 2019. He is primarily responsible for formulating strategic direction and development plan of our Group.

Since December 2005, Mr. Yu has been the president of Guangdong Hongtai Technology (holdings) Co., Ltd* (廣東鴻泰科技股份有限公司), which principally engaged in development of technology services and software and was mainly responsible for the strategic planning of the company.

Mr. Yu obtained a Master of Business Administration for Senior Management degree from Sun Yat-sen University in the PRC in June 2008.

Mr. Yu was a director of the following companies:

Company name	Place of incorporation	Date of dissolution	Means of dissolution	Reason of Deregistration
Zhaoqing Gaoyao Hongyi Information Company Limited* (肇慶市高要區鴻易信息諮詢有限公司)	PRC	22 September 2017	Deregistration	ceased to carry out business
Gaoyaoshi Jinduzhen Hengfeng Plastic Factory* (高要市金渡鎮恒峰塑料廠)	PRC	9 October 2005	Deregistration	ceased to carry out business

Mr. Yu confirmed the above companies were solvent at the time when it was dissolved and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Li Zhanpeng (黎展鵬), aged 46, was appointed as our Director and redesignated as a non-executive Director on 11 March 2019. He is primarily responsible for formulating strategic direction and development plan of our Group. He joined our Group in 10 November 2003 as the director and the general manager of Guangzhou Wanhua Hotel and has been mainly responsible for the formulating strategy and business plan of the company since then.

Mr. Li graduated from Guangdong University of Finance & Economics (formerly known as Guangdong Business College* (廣東商學院)) with a Bachelor of Corporate Management degree in June 1996.

Mr. Wu Jianxun (吳建勛), aged 63, was appointed as our Director and redesignated as a non-executive Director on 11 March 2019. He is primarily responsible for formulating strategic direction and development plan of our Group.

Mr. Wu has approximately 29 years of experience in real estate, investment and banking industry. He worked as the deputy president of Bank of Communications Fujian Branch from October 1989 to September 2016 and was mainly responsible for risk management. Since May 2018, he has been the executive director of Hongkong Sunlong Investment Group Company Limited, which principally engaged in real estate and various types of investment.

Mr. Wu graduated from Dongbei University of Finance and Economics with a Bachelor of Finance Management degree (online course) in January 2007.

Independent non-executive Directors

Dr. Liu Eping (劉娥平), aged 56, was appointed as our independent non-executive Director on 3 October 2019 and is primarily responsible for supervising and providing independent judgment to our Board. She is also the chairman of our audit committee and remuneration committee, and a member of our nomination committee.

Dr. Liu has approximately 32 years of experience in finance and accounting. She joined Sun Yat-sen University in the PRC since July 1986 and is currently the executive of financial investment centre and the professor of the Management School. She is mainly responsible for teaching courses relating to corporate finance management and assessment of investment projects and directing graduate students in finance, investment management and accounting.

From December 2011 to November 2017, Dr. Liu was the independent director and the head of the audit committee of Shenzhen Kaizhong Precision Technology Company Limited* (深圳市凱中精密技術股份有限公司), a technology company principally engaged in research and development, manufacturing and the sales of core precision components, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002823) and was mainly responsible for attending directors' meetings to monitor the development and business of the company and reviewing financial reports and internal control system of the company. Since May 2017, she has been the independent director and the head of audit committee of Guangdong Tiantu Logistics Company Limited* (廣東天圖物流股份有限公司), a company offering logistics and warehousing services, whose shares are traded on the National Equities Exchange and Quotations Co., Ltd. (stock code: 835106) and was mainly responsible for giving independent opinion to the board of the company.

In addition, Dr. Liu is currently the independent director of Guangdong Meiyan Jixiang Hydropower Co., Ltd.* (廣東梅雁吉祥水電股份有限公司), a company principally engaged in the provision of hydroelectricity, whose shares are traded on the Shanghai Stock Exchange (stock code: 600868). She is also the independent director of Alpha Group Co., Ltd.* (奧飛娛樂股份有限公司), a company principally engaged in the animation and comic culture industry in the PRC, whose shares are traded on the Shenzhen Stock Exchange (stock code: 002292).

Dr. Liu obtained a Master of Economics degree from Sun Yat-sen University in the PRC in December 1988, and a Doctorate Degree in Corporate Management degree from Sun Yat-sen University in the PRC in December 2004. In addition, Dr. Liu obtained the qualification of being an independent director after attending training organised by the Shanghai Stock Exchange in April 2009.

Mr. Chen Tusheng (陳土勝), aged 45, was appointed as our independent non-executive Director on 3 October 2019 and is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of our remuneration committee and nomination committee.

Mr. Chen has approximately 15 years of experience in the legal industry. From May 2004 to November 2015, he worked as a qualified lawyer in Guangdong Houcheng Law Firm* (廣東厚誠律師事務所) and was mainly responsible for providing legal consulting services. Since September

2015, he has been the senior partner of Beijing Weiheng (Guangzhou) Law Firm* (北京市煒衡(廣州)律師事務所) and was mainly responsible for assisting in managing the firm stipulating and implementing the firm's internal policies and assisting the firm in closing cases and filing.

Mr. Chen obtained a Bachelor of Laws degree major in Economic Law from China University of Political Science and Law in the PRC in July 1997. In addition, he is currently a qualified lawyer in the PRC.

Mr. Tan Michael Zhen Shan (譚鎮山), aged 43, was appointed as our independent non-executive Director on 3 October 2019 and is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of our audit committee.

Mr. Tan has approximately 20 years of experience in finance and accounting. He joined the Guangzhou Office of Ernst & Young in August 1998 and was later promoted to Staff Accountant II of the Assurance and Advisory Business Service Department. During his time at Ernst & Young, Mr. Tan was mainly responsible for auditing companies of different industries and participating in financial due diligence reviews and listing projects. From August 2001 to May 2003, he worked as an accountant in D. W. Sutherland & Partners and was mainly responsible for matters in relation to taxation, financial accounting and auditing. Mr. Tan joined Laurence Varnay — DFK as an intermediate accountant in August 2003 and was mainly responsible for matters in relation to taxation, financial accounting and auditing. Since May 2004, he has been working in Full Apex Holdings Ltd.* (翔峰(控股)有限公司) as the finance director and has been mainly responsible for managing the finance of the company and its subsidiaries. In addition, he is currently the independent non-executive director of ZHICHENG TECHNOLOGY GROUP LTD., a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in the PRC, whose shares are listed on the Stock Exchange (stock code: 8511).

Mr. Tan graduated with a Bachelor of International Accounting degree from Sun Yat-sen University in the PRC in June 1998. He further obtained a Master of Commerce (Accounting with Commercial Law) degree from the University of Sydney in December 2001. Mr. Tan has been a certified practicing accountant of CPA Australia since July 2004, and is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Zheng Decheng (鄭德珵), aged 67, was appointed as our independent non-executive Director on 3 October 2019 and is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of our audit committee.

Mr. Zheng has approximately 22 years of experience in finance. He was the vice president, chief supervisor and chief economist of Guangzhou Securities Co., Ltd. from December 1996 to August 2012 and was mainly responsible for managing the investment banking department and research centre and strategy development department. He was the director of Golden Eagle Asset Management Co. Ltd. * (金鷹基金管理有限公司) from May 2012 to September 2014. He was the chairman, general manager and chief economist of Guangzhou Guangzheng Hang Seng Securities Research Co. Ltd.* (廣州廣證恒生證券研究院有限公司) from May 2012 to May 2014.

From February 2016 to May 2019, he was the independent director of Guangdong Tianan New Material Co., Ltd., a company principally engaged in research and development, manufacturing and the sales of accessory materials of home furnishings and motor vehicles, whose shares are listed on the Shanghai Stock Exchange (stock code: 603725). He is also the independent director of Shenzhen Infinova Limited, a technology company principally engaged in research and development of software and hardware for the provision of smart city and family solutions, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002528). In addition, he is currently the independent director of Urtrust Insurance Co., Ltd. (衆誠汽車保險股份有限公司), a motor vehicle insurance company whose shares are listed on the National Equities Exchange and Quotations (stock code: 835987). In addition, he is currently the independent director of Shenzhen Universe (Group) Co., Ltd.* (深圳市天地(集團)股份有限公司), a company principally engaged in the production and sale of concrete, whose shares are traded on the Shenzhen Stock Exchange (stock code: 000023).

Mr. Zheng obtained a Bachelor of Economics degree in January 1982 and a Master of Economics degree in December 1984 from Sun Yat-sen University in the PRC. He further obtained a Doctor degree of Philosophy from the George Washington University in the United States in May 1994.

Mr. Zheng has been qualified as the senior economist accredited by the Ministry of Personnel of Guangzhou City since April 2003. He obtained the qualification of being an independent non-executive director granted by the Shanghai Stock Exchange in March 2018 and the qualification of being senior management of listed companies granted by the Shenzhen Stock Exchange in January 2010.

Disclosure required under Rule 13.51(2)(h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules

Save as disclosed under this section, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas prior to the Latest Practicable Date; (b) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he/she did not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Interests and/or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation" in Appendix V to this prospectus; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders as at the Latest Practicable Date.

Senior Management

Mr. Hong Zongwen (洪宗文), aged 45, joined our Group since 1 October 2016 as the general manager of Guangzhou Shaxi Hotel. He was appointed as the general manager of the commercial operation centre of our Company on 1 January 2018 and is primarily responsible for the general management of the commercial operation centre of our Company.

Mr. Hong has approximately 15 years of experience in property management. Prior to joining our Group, he worked in Guangzhou Xinji Property Management Company Limited* (廣州市信基物業管理有限公司) from June 2003 to September 2016 as the general manager of the company and was mainly responsible for formulating annual target and business strategy and enhancing the quality control system for property management of the company.

Mr. Hong completed a MBA course for general manager from Sun Yat-sen University in the PRC in December 2010.

Mr. Hong does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Mr. Zhang Fan (張帆), aged 44, joined our Group on 6 September 2010 as the director of the finance department of Guangzhou Shaxi Hotel and is primarily responsible for managing the finance department of Guangzhou Shaxi Hotel.

Mr. Zhang has approximately 13 years of experience in finance and accounting. From January 2005 to June 2006, he worked as the finance manager in CK Telecommunication Equipment (Heyuan) Company Limited* (西可通信技術設備(河源)有限公司), a company principally engaged in import and export of telecommunication equipment, and was mainly responsible for managing the finance of the company. From June 2006 to June 2008, he worked as the finance manager in Guangzhou branch company of AA Industrial Belting (Shanghai) Co., Ltd. (艾艾精密工業輸送系統(上海)股份有限公司廣州分公司) (formerly known as Guangzhou branch company of AA Industrial Belting (Shanghai) Co., Ltd.* (艾艾工業皮帶(上海)有限公司廣州分公司)), an industrial products trading company whose shares are listed on the Shanghai Stock Exchange (stock code: 603580), and was mainly responsible for managing the finance of the branch company. From June 2008 to September 2010, he worked as the senior audit manager in Guangdong Huasheng Accounting Firm Company Limited* (廣東華審會計師事務所有限公司) and was mainly responsible for auditing.

Mr. Zhang obtained a Bachelor of Trade Economics degree from Zhongnan University of Economics and Law (formerly known as Zhongnan College of Economics and Law* (中南政法學院)) in the PRC in July 1998. He further obtained a Bachelor of Accounting degree from Jinan University in the PRC in July 2004. Mr. Zhang obtained the qualification of being a medium level certified public accountant under the Ministry of Finance of the PRC in May 2007. He has been a certified tax agent under Guangdong Human Resource and Social Security Department in the PRC since June 2010.

Mr. Zhang does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Mr. Zhong Daomai (鐘道邁), aged 44, joined our Group since 1 August 2018 as the secretary of the board and the general manager of the legal management centre of our Company and is primarily responsible for managing the legal management centre of our Company.

Mr. Zhong has approximately eight years of experience in legal compliance and corporate governance. From May 2010 to January 2016, he worked in Nanfang Heungkong Group Co., Ltd. Guangzhou Branch Company* (南方香江集團有限公司廣州分公司) as the secretary of the board and the assistant president and was mainly responsible for managing the operation of the board, finance, corporate governance and legal compliance of the company. From January 2016 to July 2018, Mr. Zhong worked as the assistant president in Guangdong Xingqi Metal Co., Ltd.* (廣東興奇金屬有限公司), a company principally engaged in trading business, and was mainly responsible for managing the operation of the board, finance, corporate governance and legal compliance of the company.

Mr. Zhong obtained a Bachelor of Economic Law degree from China University of Political Science and Law in the PRC in June 1997. He has been a qualified lawyer in the PRC since February 2006. He also obtained the qualification of being a secretary of the board after attending training given by the Shanghai Stock Exchange in December 2011.

Mr. Zhong does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Kam Chi Sing (甘志成), aged 48, was appointed the company secretary of our Company on 11 March 2019 and is primarily responsible for corporate secretarial and compliance work of our Group.

Mr. Kam has over 25 years of experience in working, in the field of accountancy, auditing and assurance, taxation, corporate services, management consulting and cross-border merger and acquisition consulting in Hong Kong and the PRC. In May 2000, he established Roger Kam & Co, Certified Public Accountants (Practising) and R&T Consulting Group in Hong Kong. He is currently the managing partner of the firm and the managing director of the group. He worked as an independent non-executive director of SMI Holdings Group Limited, whose shares are listed on the Hong Kong Stock Exchange (stock code: 198) from September 2014 to June 2016.

Mr. Kam currently serves as a committee or sub-committee members of various business and professional organisations in Hong Kong, including the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce and the Hong Kong Trade Development Council. In public services, he is a member and the honorary treasurer of the Governing Committee of Special Education & Rehabilitation Service of the Hong Kong Red Cross, School Manager and treasurer of the Hong Kong Red Cross Hospital Schools and the Hong Kong Red Cross John F. Kennedy Centre.

Mr. Kam obtained a Bachelor of Science degree from University of Hong Kong in November 1993. He has been admitted as a fellow of the Association of Chartered Certified Accountants since November 2003, the Hong Kong Institute of Certified Public Accountants since April 2006, the Taxation Institute of Hong Kong since January 2010, the Institute of Financial Accountants (UK) since March 2011 and the Hong Kong Institute of Directors since November 2014. He has been admitted as a member of the Hong Kong Securities and Investment Institute since June 2013. In addition, he has been a registered trust and estate practitioner accredited by the Society of Trust and Estate Practitioners since April 2012.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rules 3.21 of the Listing Rules and the Corporate Governance Code. Our audit committee consists of three members, comprising all the independent non-executive Directors, namely Dr. Liu Eping, Mr. Tan Michael Zhen Shan and Mr. Zheng Decheng. Dr. Liu Eping is the chairman of our audit committee.

The primary duties of the audit committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of the Group; (ii) to oversee internal control procedures and corporate governance of our Group; (iii) to supervise internal control systems of our Group; and (iv) and to monitor any continuing connected transactions.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rules 3.25 of the Listing Rules and the Corporate Governance Code. Our remuneration committee consists of three members, namely Dr. Liu Eping, Mr. Chen Tusheng and Mr. Cheung Hon Chuen. Dr. Liu Eping is the chairman of our remuneration committee.

The primary duties of the remuneration committee are mainly (i) to develop a transparent policy in relation to remuneration; (ii) to review the remuneration policy and the structure relating to all Directors and senior management of our Group; (iii) to review the remuneration of our Directors and senior management of our Group based on their performance; and (iv) to make recommendations on other remuneration-related arrangement, such as, housing allowance and bonuses payable to Directors and senior management of our Group.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of three members, namely Mr. Cheung Hon Chuen, Dr. Liu Eping and Mr. Chen Tusheng. Mr. Cheung Hon Chuen is the chairman of our nomination committee.

The primary duties of the nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to make recommendations to our Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of our Board; and (iv) to assess the independence of our independent non-executive Directors.

Board Diversity Policy

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. When considering the nomination and appointment of a director, with the assistance of the nomination committee, our Board would consider a number of factors, including but not limited to the skills, knowledge, qualifications and educational background, professional experience, cultural background, age, and gender. All the appointment of our Board members will be based on meritocracy having due regard to the benefits of diversity on our Board.

Our Board currently consists of two female Directors. We will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity.

Our nomination committee will review and monitor the implementation of the board diversity policy, to ensure the effectiveness of the board diversity policy and discuss any revisions that may be required and recommend any such revisions to our Board for consideration and approval.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

During the three years ended 31 December 2018 and the four months ended 30 April 2019, total remuneration (including salaries, other social security costs, housing benefits and other employee benefits, and pension costs) paid by us to our Directors amounted to approximately RMB126,000, RMB969,000, RMB1,258,000 and RMB420,000, respectively, while total remuneration (including salaries and bonus, social security contributions and other benefits) paid to the five highest paid individuals of our Group, excluding our Directors, was approximately RMB966,000, RMB810,000, RMB570,000 and RMB169,000, respectively.

Under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any commission or discretionary bonus payable to our Directors) in respect of the year ending 31 December 2019 is estimated to be approximately RMB1.5 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed under this paragraph, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

CORPORATE GOVERNANCE

Save as disclosed below, our Company intends to comply with all the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules after the Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Cheung currently holds both positions within our Group. Mr. Cheung has been the key leadership figure of our Group who has been primarily involved in the strategic development and determination of the overall direction of our Group. He has also been directly supervising our senior management. Taking into account of the above, our Directors (including our independent non-executive Directors) consider that the vesting of the roles of chairman and chief executive officer in Mr. Cheung are beneficial and in the interests of our Company and our Shareholders as a whole. In addition, due to the presence of the four independent non-executive Directors which represents over one-third of our Board, our Board considers that there is a balance of power and authority such that no individual has unfettered power of decision. Our Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices.

COMPLIANCE ADVISER

We have appointed RaffAello Capital Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. The term of appointment shall commence on the Listing Date and end on the date on which we complies with rule 13.46 in respect of our financial results for the first full financial year after the Listing.

Pursuant to Rule 3A.23 of the Listing Rules and the terms of the agreement with our compliance adviser, we will consult with and, if necessary, seek advice from our compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;

(iii) where we propose to use the net proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options that 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 our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

		Shares held immediately before the Capitalisation Issue and the Global Offering		Shares held immediately following completion of the Capitalisation Issue and the Global Offering	
Name	**Capacity/ nature of interest**	**Number[1]**	**Approximate percentage**	**Number[1]**	**Approximate percentage**
Honchuen Investment	Beneficial owner[5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Mr. Cheung	Interest of controlled corporation[2,5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Zuoting Investment	Beneficial owner[5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Mr. Mei	Interest of controlled corporation[3,5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Weixin Development	Beneficial owner[5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Mr. Zhang	Interest of controlled corporation[4,5]	37,628(L)	71.5%	782,910,000(L)	52.2%
Huang Wanyi	Interest of spouse[6]	37,628(L)	71.5%	782,910,000(L)	52.2%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. As at the Latest Practicable Date, Honchuen Investment was wholly owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.

3. As at the Latest Practicable Date, Zuoting Investment was wholly owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.

4. As at the Latest Practicable Date, Weixin Development were wholly owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.

5. On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Concert Parties Agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the Concert Parties Agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO. For details, please refer to "Relationship with Controlling Shareholders — Our Controlling Shareholders".

6. Ms. Huang Wanyi is the spouse of Mr. Zhang. By virtue of the SFO, Ms. Huang Wanyi is deemed to be interested in the same number of Shares in which Mr. Zhang is deemed to be interested in under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

OUR CONTROLLING SHAREHOLDERS

Immediately upon the completion of Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Honchuen Investment, Zuoting Investment and Weixin Development will in aggregate control 52.2% of the issued share capital of our Company. As at the Latest Practicable Date, Honchuen Investment was wholly-owned by Mr. Cheung, Zuoting Investment was wholly-owned by Mr. Mei, and Weixin Development was wholly-owned by Mr. Zhang.

Over the course of our business history, Mr. Cheung, Mr. Mei and Mr. Zhang have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries. As we were a group of private entities in the past, these arrangements were not formalised in writing and each of Mr. Cheung, Mr. Mei and Mr. Zhang was content with such arrangements based on their long term business relationship, as well as the trust and confidence they have in each other.

On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Concert Parties Agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the Concert Parties Agreement is terminated by them in writing.

The Concert Parties Agreement covers our Company and all of our subsidiaries ("**Relevant Companies**"). Pursuant to the Concert Parties Agreement, Mr. Cheung, Mr. Mei and Mr. Zhang have confirmed, agreed and acknowledged, among others, they have agreed to, and shall continue until the termination of the Concert Parties Agreement to cooperate with each other and act in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action through our Company on all major affairs relating to the Relevant Companies.

As such, Mr. Cheung, Mr. Mei and Mr. Zhang, together through Honchuen Investment, Weixin Development and Zuoting Investment, will be entitled to control approximately 52.2% of the issued share capital of the Company immediately upon the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any options which may be granted under the Share Option Scheme). Hence, Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang will together form a group of Controlling Shareholders within the meaning of the Listing Rules. For details of the shareholding of the Controlling Shareholders in each of the companies in our Group, please refer to the section headed "History, Corporate Structure and Reorganisation".

Each of Honchuen Investment, Zuoting Investment and Weixin Development is an investment-holding company and does not have any business operation. Mr. Cheung is the chairman of our Group and one of our executive Directors, and each of Mr. Mei and Mr. Zhang is an executive Director of our Group.

DELINEATION OF BUSINESS

Business activities carried on by our Group

Our business operations comprise four main business segments: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) our managed shopping mall; (iii) our Online Shopping Mall; and (iv) our exhibition management business. For details, please refer to the section headed ''Business'' in this prospectus.

Excluded Businesses

As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates had been conducting other businesses or holding interests directly or indirectly in certain companies (the ''**Excluded Companies**''), in particular the Xinji Group, which are engaged in businesses not in competition with the business of our Group. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective close associates (the ''**Excluded Businesses**'') include:

(a) *property development* — certain Excluded Companies are property developers in the PRC which focus primarily on the development and sale of residential properties, business and commercial properties, hotel buildings and serviced apartments in the PRC, namely:

— Panyu Real Estate, a member of the Xinji Group;

— Guangzhou Real Estate, a member of the Xinji Group;

— Liaoning Xinji Hongxing Commercial Real Estate Development Co., Ltd.* (遼寧信基紅星商業地產開發有限公司), which is owned as to 49% by Guangdong Yingbin;

— Guangzhou Xinji Longmei Animation Technology Co., Ltd.* (廣州信基龍美動漫科技有限公司), a member of the Xinji Group;

— Guangzhou Maojia Trading Co., Ltd.* (廣州市茂佳商貿有限公司), a member of the Xinji Group;

— Guangzhou Lupiao Furniture Co, Ltd.* (廣州市蘆飄傢俱有限公司), a limited liability company established in the PRC which is owned as to 50.0% by Xinji Company;

— Guangzhou Kwairan Commercial Development Co., Ltd.* (廣州葵然商業發展有限公司) (formerly known as Guangzhou Kwairan Furniture Co., Ltd.* (廣州市葵然傢俱有限公司)), a limited liability company established in the PRC which is owned as to 40.0% by Xinji Company;

— Guangzhou Luqiao Commercial Development Co., Ltd.* (廣州綠僑商業發展有限公司) (formerly known as Guangzhou Luqiao Furniture Co,, Ltd.* (廣州市綠僑傢俱有限公司)), a limited liability company established in the PRC which is owned as to 44.5% by Xinji Company;

— Foshan Xinji Bainian Real Estate Co., Ltd.* (佛山信基百年置業有限公司), a limited liability company established in the PRC which is owned as to 42.5% by Xinji Company;

— Hubei Ruizheng Real Estate Co., Ltd.* (湖北瑞正置業有限公司), a member of the Xinji Group; and

— Chuangzhong (Guangzhou) Co., Ltd.* (創頌(廣州)有限公司) (formerly known as Hezhong Creation Co., Ltd.* (合眾創展股份有限公司)), a limited liability company established in the PRC which is owned as to 30.0% by Xinji Company;

(b) *property investment* - certain Excluded Companies principally engaged in property investment business in the PRC with a primary focus on developing and leasing (i) hotel buildings and serviced apartments, (ii) food exhibition centres and (iii) commercial properties, which are not shopping malls, namely:

— Guangdong Yingbin;

— Guangdong Xinji Regal Hotel Management Co., Ltd.* (廣東信基富豪酒店管理有限公司), a member of the Xinji Group; and

— Guangzhou Xingao Hengye Investment Co., Ltd.* (廣州信高恒業投資有限公司), a limited liability company established in the PRC which is owned as to 50.0% by Xinji Company;

(c) *property management* — certain members of the Xinji Group, namely (i) Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司) (''**Xinji Property Management**'') and (ii) Hubei Xinji Property Management Co., Ltd.* (湖北信基物業管理有限公司), mainly engaged in providing post-sale property management services to the residential and/or commercial properties developed by the Xinji Group, which are not shopping malls. Services provided by this company include properties repairment, equipment maintenance, vehicle parking and care, public order maintenance, public area and public facilities management, sanitation management, green area management, fire safety management and property insurance management;

(d) *multi-purpose complex operation and management* — Guangzhou Baixin Home Co., Ltd.* (廣州百信家居有限公司) ("**Guangzhou Baixin**"), a limited liability company established in the PRC which is owned as to 49.0% by Xinji Company, engaged in operating and managing a multi-purpose complex in Guangzhou, the PRC;

(e) *operation and management of commercial properties* — Foshan Xinji Square Operating Management Co., Ltd.* (佛山信基廣場經營管理有限公司) (''**Foshan Xinji**''), a member of the Xinji Group, engaged in operating and managing commercial properties; and

(f) certain members of the Xinji Group engaged in other businesses including investment consulting services business and industrial finance business, namely:

— Guangzhou Yaodu; and

— Guangdong Xinji Fengchao Technology Co., Ltd* (廣東信基蜂巢科技有限責任公司).

Clear Delineation of Business

Our Directors consider that our business are distinctly different from the Excluded Business and do not compete with each other for the following reasons:

	Excluded Business	**Our Group's business**
(i) Property development		***Shopping malls operations and management***
Different business nature and business model	These Excluded Companies which are property developers mainly focus on the development and sale of residential properties, business and commercial properties, hotel buildings and serviced apartments in the PRC.	While we developed a majority of our shopping malls in the PRC, we focus on leasing and managing such shopping malls insteading of selling them. During the Track Record Period, we did not (i) sell any of the shopping malls developed by us or (ii) develop or sell any residential properties, business and commercial properties, hotel buildings and serviced apartments in the PRC; and we do not intend to conduct such business in the future.

	Excluded Business	Our Group's business
Different customer base	The customer base of such Excluded Companies developers principally include purchasers of properties developed by them.	Our customer mainly include tenants of our shopping malls.
Different form of income	These Excluded Companies mainly generate their revenue through receiving the purchase price from the purchasers of the properties developed by them.	Our revenue is mainly generated by: (i) receiving monthly rent from our tenants; (ii) receiving monthly property management fees from our tenants for services we provide; (iii) receiving one-off promotion fee from certain tenants.

	Excluded Business	Our Group's business
(ii) Property investment		***Shopping malls operations and management***
Different business focus	These Excluded Companies principally engaged in property investment business in the PRC with a primary focus on developing and leasing (i) hotel buildings and serviced apartments, (ii) food exhibition centres and (iii) commercial properties which are not shopping malls. All of these Excluded Companies' investment properties have been fully developed, and it is very doubtful that these companies would incur significant costs to modify such properties into shopping malls.	Part of our business involve developing and leasing our shopping malls for hospitality suppliers and home furnishings. The business focus of these Excluded Companies is entirely different from our Group. During the Track Record Period, we did not develop or lease any (i) hotel buildings and serviced apartments, (ii) exhibition centres and (iii) commercial properties and we do not intend to conduct such business in the future.
Different customer base	The customer base of such Excluded Companies mainly include tenants of their (i) hotel buildings and serviced apartments who are individuals with accommodation needs, (ii) food exhibition centres who are brand owners of food products and (iii) commercial properties which are not shopping malls who use the leased properties as offices.	Our customer mainly include tenants of our shopping malls who are sellers of hospitality suppliers and/or home furnishings. The customer base of these Excluded Companies is completely dissimilar to our Group, and it is highly doubtful that our tenants would consider the properties held by these companies to be alternatives to our shopping malls.

	Excluded Business	Our Group's business
(iii) Property management		***Shopping malls operations and management***
Different business focus	These Excluded Companies mainly engage in providing post-sale property management services to the residential and/or commercial properties (which are not shopping malls) developed by the Xinji Group, and it principally provide services including properties repairment, equipment maintenance, vehicle parking and care, public order maintenance, public area and public facilities management, sanitation management, green area management, fire safety management and property insurance management. These Excluded Companies only provide post-sale property management services, but not any operations services such as marketing of the properties. It is highly unlikely that other shopping mall owners would engage these Excluded Companies to operate and manage their shopping malls as (i) the know-how of managing residential/commercial properties is dissimilar to that of operating and managing shopping malls and (ii) these companies lack experience and reputation in operating and managing shopping malls.	We have a project operation and management department to manage our shopping malls, which provides general property management services to our tenants including facility management services over the common floor areas, maintaining proper lighting and air-conditioning in the area and providing security services. We also provide shopping mall operation and management services to other shopping mall owners. Such services include managing the shopping mall marketing and daily operation, and grant to them the right to use and market with our brand name. The nature of properties being managed by these Excluded Companies is entirely different from our Group. During the Track Record Period, we did not provide any property management services to any residential properties, business and commercial properties which are not shopping malls, hotel buildings or serviced apartments, and we do not intend to conduct such business in the future.

	Excluded Business	Our Group's business
Different customer base	The customer base of these Excluded Companies mainly include owners of the residential and/or commercial properties developed by the Xinji Group, which are not shopping malls.	Our customers mainly include tenants of our shopping malls who are sellers of hospitality suppliers and/or home furnishings.
(iv) Multi-purpose complex operation and management		***Shopping Malls operations and management***
Different business focus	Guangzhou Baixin focuses on operating and managing a multi-purpose complex which mainly comprise of restaurants and offices. In addition, on 28 January 2016, the Guangzhou Panyu District Land Development Centre* (廣州市番禺區土地開發中心) (the "**Development Centre**") and Guangzhou Real Estate, the owner of the land where the multi-purpose complex is located at (the "**Land**"), entered into a land acquisition and compensation agreement (土地收儲補償協議) (the "**A&C Agreement**"). Pursuant to the A&C Agreement, among others, (i) the Development Centre agreed to acquire, and Guangzhou Real Estate agreed to dispose, the Land for certain amount of compensation; and (ii) Guangzhou Real Estate shall terminate all relevant leases and demolish the multi-purpose complex before transferring the ownership of the Land to the Development Centre. As confirmed by our Controlling Shareholders, as at the Latest Practicable Date, Guangzhou Real Estate was liaising with the relevant parties for termination of leases and demolition of the multi-purpose complex. Our Controlling Shareholders expected that the demolition would be completed in mid-2020, following which Guangzhou Baixin would cease to operate.	We focus on operating and managing our shopping malls which mainly comprise of retail stores selling hospitality supplies and/or home furnishings. The business focus of Guangzhou Baixin is different from our Group. During the Track Record Period, we did not operate or manage any multi-purpose complex which comprise of restaurants and offices, and we do not intend to conduct such business in the future.

	Excluded Business	**Our Group's business**
No overlapping management or personnel	Xinji Company is a passive investor of Guangzhou Baixin and does not have any right to operate the multi-purpose complex. None of our Controlling Shareholders is a member of the board or senior management of Guangzhou Baixin, or have any influence or control over the business operations of Guangzhou Baixin. The business of Guangzhou Baixin is independently run by an Independent Third Party in his capacity as the director of Guangzhou Baixin, who does not have any role in our Group. As at the Latest Practicable Date, we do not share any personnel with Guangzhou Baixin.	
Different customer base	The customer base of Guangzhou Baixin mainly include tenants of the multi-purpose complex who operate restaurants and/or use the leased properties as offices.	Our customers mainly include tenants of our shopping malls who are sellers of hospitality supplies and/or home furnishings.
(v) Commercial properties operations and management		***Shopping malls operations and management***
Different business focus	Foshan Xinji focuses on operating and managing commercial properties which mainly comprise of offices.	We focus on operating and managing our shopping malls which mainly comprise of retail stores selling hospitality supplies and/or home furnishing. The business focus of Foshan Xinji is very different from our Group. During the Track Record Period, we did not operate or manage any commercial properties and we do not intend to conduct such business in the future.

	Excluded Business	Our Group's business
Different customer base	The customer base of Foshan Xinji mainly include tenants of its commercial properties which use the leased properties as offices.	Our customers mainly include tenants of our shopping malls who are sellers of hospitality suppliers and/or home furnishings, and it is highly doubtful that our tenants would consider the commercial properties operated and managed by Foshan Xinji to be alternatives to our shopping malls.
(vi) Other businesses including investment consulting services business and industrial finance business		***Shopping malls operations and management, online shopping mall operations and exhibition management***
Different business nature and business model	These Excluded Companies primarily engaged in (i) providing investors with investment products, advice and/or planning and (ii) customized financing and advisory services for commercial and industrial companies in all stages of the business cycle.	The nature of business and business model of our Group's business are completely different from investment consulting services business and industrial finance business. During the Track Record Period, we did not provide any such services and we do not intend to conduct such businesses in the future.
Different customer base	The customers of these Excluded Companies mainly include investors and commercial and industrial companies in need of financing.	Our customers mainly include tenants of our shopping malls who are sellers of hospitality suppliers and/or home furnishings.

	Excluded Business	Our Group's business
Different form of income	The revenue sources of these Excluded Companies include consultancy fee and interest charged to customers.	Our revenue sources include (i) properties lease income; (ii) sales of goods; (iii) income from exhibition management service; and (iv) income from property management service.

As (i) the Excluded Businesses comprise a collection of diversified businesses spanning various industries as detailed above; (ii) the Excluded Businesses are clearly different from our business operations; (iii) the Excluded Businesses are not within the business scope of our Group nor in line with our business strategies; and (iv) we currently do not intend to engage in the Excluded Business, we consider it is not in the best interests of our Company and our Shareholders as a whole to include any of the Excluded Businesses into our Group. The Controlling Shareholders also confirmed that they have no intention to inject any of the Excluded Businesses into our Group.

Saved as disclosed above, none of our Controlling Shareholders and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal businesses, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition with us 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 businesses. Please refer to the paragraph headed ''Non-Competition Undertaking'' in this section for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Having considered the following factors, our Directors consider that we are capable of carrying our businesses independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates following Listing.

Operational independence

We make business decisions independently. On the basis of the following reasons, our Directors consider that we will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the Listing:

(a) we hold all relevant licenses, permits and approvals that are material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;

(b) we have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders;

(c) although we have rented our office and headquarters from our Controlling Shareholders, we would be able to relocate the aforementioned to similar property if necessary without material disruption to our operation;

(d) we have our own organisational and corporate governance structure and has established our own accounting, legal and human resources departments;

(e) we have established a set of internal control measures to facilitate the effective operation of our business;

(f) we have independent access to customers and suppliers; and

(g) each of our Controlling Shareholders and their respective close associates have no relationship with the top five customers and the top five major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Financial independence

Our Board believe that we are able to operate financially independently from our Controlling Shareholders and their close associates as:

(a) we have an independent financial system and we make financial decisions independently according to our Group's own business and operation needs;

(b) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations;

(c) all loans, advances and balances due to and from our Controlling Shareholders and their close associates will be fully settled prior to Listing;

(d) all personal guarantee provided by our Controlling Shareholders for our banking facilities have been released;

(e) we have independent access to third party financing on market terms and conditions for our business operations as and when required; and

(f) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their close associates.

Management independence

Our management rests with our Board and senior management. Our Board comprises four executive Directors, namely Mr. Cheung, Mr. Mei, Mr. Zhang and Ms. Jin, three non-executive Directors, namely Mr. Yu Xuecong, Mr. Li and Mr. Wu Jianxun, and four independent non-executive Directors, namely Dr. Liu Eping, Mr. Chen Tusheng, Mr. Tan Michael Zhen Shan and Mr. Zheng Decheng. Please refer to the section-headed "Directors and Senior Management" for further details.

The table below set out the directorships which our Directors have in our Controlling Shareholders and their respective close associates immediately following Listing:

Our Directors	Honchuen Investment	Weixin Development	Zuoting Investment	Other companies controlled by our Controlling Shareholders (including the Xinji Group)
Mr. Cheung	√	x	x	√
Mr. Mei	x	x	√	√
Mr. Zhang	x	√	x	√
Ms. Jin	x	x	x	√

Saved as disclosed above, our Directors and senior management do not hold any directorships or positions in our Controlling Shareholders or their respective associates.

In spite of the above, our Directors consider that we have management independence from our Controlling Shareholders and their respective close associates due to the following reasons:

(a) each Director, including Mr. Cheung, Mr. Mei and Mr. Zhang who are our Controlling Shareholders, is aware of his/her fiduciary duties as a Director which require, among other things, that he/her acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his personal interests;

(b) our Board consists of four independent non-executive Directors. This represents one-third of the members of the Board and there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(c) the management, operation and affairs of our Group are headed, managed and supervised by our Board as a whole and not by any individual Directors. According to the Articles, our Board must act collectively by a majority decision, and no individual Director is allowed to transact or make any decision for and on behalf of the Company alone unless he is authorised by our Board or in accordance with the provisions of the Articles. Any view of a Director will be checked and balanced by the view of other Board members;

(d) in the event that there is a potential conflict arising out of any transaction to be entered into between our Group and our Directors or their respective associates (''**Conflicting Transaction**''), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum, unless otherwise permitted under the Articles and/or the Listing Rules. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our independent non-executive Directors for their consideration and approval, they would have sufficient experience and knowledge to oversee such Conflicting Transaction from different aspects;

(e) our Company has also established internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders' approval (where appropriate);

(f) in order to allow the non-conflicting members of the Board to function properly and make informed decision with the necessary professional advice, our Company will engage third party professional advisor(s) to advise the Board when necessary, depending on the nature and significance of the Conflicting Transaction;

(g) our Controlling Shareholders have undertaken to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(h) our independent non-executive Directors will, based on the information available to them, review on annual basis (i) compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition, and to disclose all decisions on the matters pertaining to the annual review either through the annual report, or by way of announcement to the public; and

(i) the Company has established corporate governance procedures in safe guarding the interests of our Shareholders and enhancing Shareholders' value. Please refer to the paragraph headed ''Corporate Governance Measures'' in this section for details.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders entered into the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity(ies) of any member of our Group and any business(es) that our Group may engage in from time to time within Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interest (individually or with his/her/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interest in the relevant listed company is higher than that of the relevant Controlling Shareholder (individually or with his/her/its close associates).

Each of our Controlling Shareholders has further undertaken that, if he/she/it or his/her/its close associates, other than any member of our Group, is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall and shall procure his/her/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the relevant Controlling Shareholder whether our Group will exercise the right of first refusal.

Our Group shall only exercise or reject the right of first refusal upon the approval by all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board convened to consider such opportunity including but not limited to the relevant meeting(s) of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

(i) each of our Controlling Shareholders has undertaken to provide any information as is reasonably required by our Group and/or our independent non-executive Directors, to decide whether to exercise the right of first refusal by our Company from time to time;

(ii) our independent non-executive Directors shall review, on an annual basis, the compliance of the above undertakings from the Controlling Shareholders and to evaluate the effective implementation of the Deed of Non-competition; and

(iii) each of the Controlling Shareholders has undertaken to provide all information necessary for the aforesaid annual review on the enforcement of the Deed of Non-competition by our independent non-executive Directors and to provide an annual confirmation on his/her/its compliance with the Deed of Non-competition for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the Listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Controlling Shareholders, when he/she/it together with his/her/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Controlling Shareholders; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In addition, our Company has adopted the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

(a) our Board will ensure that any material conflict or potential conflict of interests involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable;

(b) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested unless in certain circumstances as expressly stated in the Articles;

(c) each Director is aware of his fiduciary duties as a Director, which require, among other things, him to act for the benefit of our Company and the Shareholders as a whole and not to allow any conflict of interests between his duties as a Director and his personal interests;

(d) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;

(e) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

(f) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;

(g) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and

(h) our Company has appointed RaffAello Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

OVERVIEW

We have entered into the following transactions with parties who will, upon Listing, become our connected person (as defined under Chapter 14A of the Listing Rules). Details of such continuing connected transactions and one-off connected transactions of our Company following the Listing are set out in this section below.

CONNECTED PERSONS

Following the Listing, the following parties, which have entered into the following transactions with our Group, will be connected persons of our Group:

— Each of Mr. Cheung, Mr. Mei and Mr. Zhang will be a connected person of our Company as each of them is one of our our Controlling Shareholders and a Director; and

— Each of Guangzhou Real Estate, Panyu Real Estate and Guangdong Yingbin will be a connected person of our Company as each of them are co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang.

A. FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Supply Framework Agreement

On 25 July 2019 and 26 September 2019, Guangzhou Xinji Dajing and Guangzhou Real Estate entered into a supply framework agreement and a supplemental agreement (the "**Supply Framework Agreements**"), respectively, pursuant to which, among others, (i) Guangzhou Xinji Dajing agreed to supply duvets to Guangzhou Real Estate for a term of three years commencing from the date thereof; (ii) Guangzhou Real Estate shall place separate purchase orders with Guangzhou Xinji Dajing specifying relevant details such as the product's name, specifications, model, quantity, delivery date and place of delivery; and (iii) the price of the duvets shall be determined by Guangzhou Xinji Dajing and Guangzhou Real Estate on arm's length basis based on the prevailing market rate, namely the price of duvets which are of the same type and brand payable by Independent Third Parties.

Historical transaction amounts, annual caps and basis

With respect to the transactions contemplated under the Supply Framework Agreements (and its preceding agreements, if any), the historical transaction amounts during the Track Record Period and the proposed annual caps for each of the three years ending 31 December 2021 are as follows:

Historical transaction amounts for				**Proposed annual caps for**		
Year ended 31 December			**Four months ended 30 April**	**Year ending 31 December**		
2016	**2017**	**2018**	**2019**	**2019**	**2020**	**2021**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
—	—	—	148	500	500	500

The above annual caps are determined by the Company after considering (i) the historical transaction amounts between Guangzhou Xinji Dajing and Guangzhou Real Estate and (ii) the estimated demand of Guangzhou Real Estate for the duvets, being approximately 400 duvets per year.

Implications under the Listing Rules

Having considered that the Supply Framework Agreements were entered into during the ordinary and usual course of our business and on normal commercial terms, our Directors (including our independent non-executive Directors) are of the view that the Supply Framework Agreements and the transactions contemplated thereunder as well as the proposed annual caps as set out above are fair and reasonable as far as the independent Shareholders are concerned and are in the interests of our Group and the Shareholders as a whole.

As all of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Supply Framework Agreements are less than 5% and the proposed annual caps are less than HK$3.0 million, the transactions contemplated thereunder constitute de minimis continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. ONE-OFF CONNECTED TRANSACTIONS

Tenancy Agreements

As at the Latest Practicable Date, our Group has leased certain properties from our connected persons under various tenancy agreement (the "**Tenancy Agreements**"). These transactions are accounted as one-off in nature under HKFRS 16. Details of such one-off connected transactions are as follows:

	Date of agreement	Parties	Property address	Approximate gross floor area (sq.m.)	Monthly rental	Term	Use of Premises
1.	1 January 2015 (the "**Office Tenancy Agreement**")	**Landlord:** Guangdong Yingbin **Tenant:** Xinji Huazhan	North of the second floor of the annexed building, Xinji Shaxi Hospitality Supplies Centre (Xiayu District), Xiayu Village, Luopu Street, Panyu District, Guangzhou* (廣州市番禺區洛浦街廈滘村信基沙溪酒店用品城（廈滘區）市場附樓二樓北面)	516	1 January 2015 to 31 December 2015: RMB12,900 1 January 2016 to 31 December 2016: RMB12,900 1 January 2017 to 31 December 2017: RMB13,545 1 January 2018 to 31 December 2018: RMB13,545 1 January 2019 to 31 December 2019: RMB14,222	1 January 2015 to 31 December 2019	Office
2.	1 December 2018 (the "**Household Market Tenancy Agreement**")	**Landlord:** Panyu Real Estate **Tenant:** Guangdong Xinji Household	Ground Floor and mezzanine of Building 3–5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou* (廣州市番禺區105國道富麗廣場3–5座首、夾層) (the "**Household Market**")	24,893.95	1 December 2018 to 30 November 2019: RMB460,181 1 December 2019 to 30 November 2020: RMB483,190 1 December 2020 to 30 November 2021: RMB507,350	1 December 2018 to 30 November 2021	Household products market

	Date of agreement	Parties	Property address	Approximate gross floor area (sq.m.)	Monthly rental	Term	Use of Premises
3.	1 January 2019 (the "**Headquarters Tenancy Agreement**")	**Landlord:** Guangzhou Real Estate **Tenant:** Guangzhou Shaxi Hotel	South Intersection 250, Dashi Street, Panyu District, Guangzhou* (廣州市番禺區大石街南大路口250)	712.53	1 January 2019 to 31 December 2019: RMB40/sq.m 1 January 2020 to 31 December 2020: RMB42/sq.m 1 January 2021 to 31 December 2021: RMB44.1/sq.m	1 January 2019 to 31 December 2021	Office and headquarters

With respect to the one-off connected transactions contemplated under the Tenancy Agreements (and their preceding agreements, if any), the historical transaction amounts during the Track Record Period are approximately RMB149,000, RMB155,000, RMB615,000 and RMB5,864,188.4, respectively.

Reason for the transactions

Our Group has been using the properties under the Office Tenancy Agreement and Headquarters Tenancy Agreement as our office and headquarters since 2015. Having considered that the rent is no less favourable the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the Office Tenancy Agreement and Headquarters Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the interest of our Company and the Shareholders to continue using the premises under the Office Tenancy Agreement and Headquarters Tenancy Agreement as our office and headquarters.

In addition, our Group will be entitled to receive the rental income from the tenants of the Household Market during the term of the Household Market Tenancy Agreement. As such, our Directors believe that entering into the Household Market Tenancy Agreement will provide a stable source of income for our Group and accordingly, it is in the interests of our Group and its shareholders as a whole to enter into the Household Market Tenancy Agreement.

Our Directors are of the view that the relationship with our Controlling Shareholders is unlikely to terminate due to the following:

(i) our Group would like to maintain such relationship with our Controlling Shareholders as (a) in the event that the Office Tenancy Agreement and Headquarters Tenancy Agreement are terminated, our Group would have to relocate our office and headquarters and incur additional renovation and associated costs; and (b) the revenue of our Group in the form of rental income from the tenants of the Household Market would be adversely affected if the Household Market Tenancy Agreement is terminated;

(ii) our Controlling Shareholders would also like to maintain such relationship with our Group as Panyu Real Estate, the landlord of the Xinji Dashi Home Furnishings Center, has shifted its business focus to its property development business and has no intention nor sufficient manpower to operate the Xinji Dashi Home Furnishings Center;

(iii) pursuant to the Deed of Non-competition, our Controlling Shareholders has undertaken, among other matters, not to engage in operation and management of shopping malls, and are therefore unlikely to terminate the Household Market Tenancy Agreement and take the property for their own use; and

(iv) our Controlling Shareholders have agreed and undertaken that (a) they would continue to lease the relevant properties to our Group after expiration of the relevant tenancy agreements on normal commercial terms or better; and (b) our Group has the right of first refusal to purchase such properties prior to any sale of such properties to a third party.

While our Group has considered purchasing the properties we leased from entities controlled by our Controlling Shareholders based on the prevailing market price, our Group estimated that the tax incurred for such transactions, including but not limited to value-added tax, land value-added tax and corporate tax, would amount to not less than RMB80.0 million. As such, our Directors consider that it is impractical and unduly burdensome for our Group to purchase such properties.

Implications under the Listing Rules

In accordance with HKFRS 16 ''Leases'' (which is effective from 1 January 2019), the leases under the Tenancy Agreements are recognised as right-of-use assets on our balance sheet. Therefore, the entering into of the Tenancy Agreements will be regarded as the acquisition of capital assets and one-off connected transactions, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

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 or credited as fully paid as at the date of this prospectus and following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

Authorised share capital:

		HK$
10,000,000,000	Shares of par value HK$0.01 each	100,000,000

Issued share capital:

52,632	Shares in issue as at the date of this prospectus	526.32
1,199,947,368	Shares to be issued under the Capitalisation Issue	11,999,473.68
300,000,000	Shares to be issued under the Global Offering	3,000,000.00
1,500,000,000	**Shares in issue immediately upon the completion of the Capitalisation Issue and the Global Offering**	15,000,000.00

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant thereto. It does not take into account (i) any Shares which may be allotted and issued (a) pursuant to the exercise of the Over-allotment Option; or (b) pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares and the Shares which may be issued pursuant to the Over-allotment Option will rank *pari passu* in all respects with all Shares currently in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules). The 375,000,000 Offer Shares represent 25% of the issued share capital of the Company upon Listing.

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, 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 the sum of:

(a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering; and

(b) the aggregate number of Shares repurchased by our Company pursuant to the authority granted to our Directors referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section.

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Global Offering or the Capitalisation Issue.

This general mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold the next annual general meeting; or

(c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Please see "Appendix V — Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on 3 October 2019" for further details.

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 such number of Shares representing not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering.

This mandate only relates to repurchases 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. Please see "Appendix V — Statutory and General Information — A. Further Information about our Group — 7. Repurchase by our Company of our own securities" for the further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares.

This general mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold the next annual general meeting; or

(c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Please see "Appendix V — Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on 3 October 2019" for further details.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Please see "Appendix V — D. Share Option Scheme" for further details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As an exempted company with limited liability, our Company is not required by law to hold any general meeting or class meeting under the Companies Law. The circumstances under which general meeting and class meeting are required is prescribed under the Articles. Accordingly, our Company will hold general meetings as prescribed for under the Articles. Please see "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" for further details.

You should read this section in conjunction with our audited consolidated financial information as at and for the years ended 31 December 2016, 2017 and 2018 and 30 April 2019, including the notes thereto, as set out in "Appendix I — Accountant's Report" to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are the largest operator of shopping malls for hospitality supplies in terms of operating areas as well as the revenue of hospitality supplies in China. As of 30 April 2019, we had three shopping malls for hospitality supplies and two shopping malls for home supplies located in Guangzhou and Shenyang in China, which together had a total GFA of approximately 363,079.82 sq.m., a total LFA of approximately 270,044.31 sq.m., a total leased LFA of approximately 230,068.03 sq.m. and an average occupancy rate of 85.2%[(Note)].

In April 2018, we started to operate the Online Shopping Mall through the acquisition of Guangzhou Xinji Dajing, which has commenced its operation of the e-commerce business since September 2017.

We also provide exhibition management services for the annual HOSFAIR in China.

We generate our revenues primarily from leasing our shopping malls to our tenants. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our rental income was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5%, respectively, of our total income.

Our revenue for the three years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019 were RMB208.7 million, RMB209.9 million, RMB281.4 million and RMB92.2 million, respectively, representing a CAGR of 16.1% from 2016 to 2018. Our profit for the three years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019 were RMB75.4 million, RMB88.8 million, RMB250.2 million and RMB27.3 million, respectively, representing a CAGR of 82.1% from 2016 to 2018. Our core net profit attributable to owners of the Company for the three years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019 were RMB23.0 million, RMB11.8 million, RMB64.1 million and RMB31.9 million, respectively, representing a CAGR of 66.9% from 2016 to 2018. Our core net profit does not take into account any non-controlling interest.

Note: Calculated as the percentage of total leased LFA over total LFA of our five shopping malls.

BASIS OF PRESENTATION

Our Controlling Shareholders collectively owned and controlled our listing business immediately prior to and after the Reorganisation. Pursuant to the Reorganisation, the listing business was transferred to and held by the Company. The Company and its subsidiaries set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the listing business and does not result in any changes in management of such business and the Controlling Shareholders of the listing business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the listing business. For the purpose of this prospectus, the historical financial information of our Group is presented using the carrying values of the listing business for all period presented.

The historical financial information of the operating and managing home furnishing shopping mall (''Included Business'') of Panyu Real Estate during the Track Record Period was included in the following manner:

— Transactions and balances specifically identified as relating to the Included Business were consolidated in the historical financial information;

  Expenses incurred by Panyu Real Estate that were not specifically identified as relating to the Included Business and comprised mainly general administrative expenses were allocated as appropriate as expenses of the Group.

— Current and deferred income taxes on profits attributable to the Included Business calculated on the above basis are provided for using the PRC corporate income tax rate of 25% during the relevant periods in accordance with the Group's accounting policies; and

— Inter-company transactions and balances between group companies including the Included Business were eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Ability to renew our existing leases

We generate our revenues primarily from leasing spaces of our shopping malls to our tenants. For the years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019, our rental income was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5%, respectively, of our total income. Our results of operations depend on our ability to renew the leases on commercially reasonable terms for our shopping mall sites to continue the leasing of the relevant shopping mall.

For details, see ''Business — Property — Leased properties''.

Market recognition of our "信基沙溪 (Xinji Shaxi)" brand

As at the Latest Practicable Date, we mainly operated our business under our "信基沙溪 (Xinji Shaxi)" brand and the brand recognition of "信基沙溪 (Xinji Shaxi)" plays an important role in marketing our shopping malls to potential tenants. Our brand value and demand for our shopping malls depend on the quality of our shopping mall and the positive experience of the the tenants and customers of our shopping malls. In addition, our brand value depends on our efforts to protect our brand name and our ability to identify any unauthorized use of our brand name and to take appropriate steps to enforce our rights on a timely basis to prevent damage to our reputation.

Ability to lease or re-lease space in our shopping malls on favourable terms or at all

Our results of operations depend on our ability to lease spaces in our shopping malls, including re-leasing spaces in shopping malls where leases are expiring, optimising our tenant mix and leasing spaces on more favourable terms. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the average occupancy rate of our five shopping malls was approximately 78.0%, 81.3%, 81.6% and 85.2% respectively. Our rental income for the same periods was approximately RMB178.5 million, RMB183.3 million, RMB243.9 million and RMB80.6 million, respectively, representing approximately 85.5%, 87.3%, 86.7% and 87.5%, respectively, of our total income.

We generally do not include automatic renewal or renewal upon notice provisions in our leases. Our results of operations therefore depend on the terms of a new lease with existing tenants when their leases expire to retain these tenants and whether the tenants agree with the terms, which in turn affect footfall levels, rental income and occupancy rates at our shopping malls.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial information. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 2 and 4 of the Accountant's Report in Appendix I of this prospectus.

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

Our historical financial information has been prepared based on the underlying financial statements of the Group, in which HKFRS 9, 'Financial instruments' ("HKFRS 9"), HKFRS 15, 'Revenue from contracts with customers' ("HKFRS 15") and HKFRS 16, 'Leases' ("HKFRS 16") have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period.

Nonetheless, we have carried out internal assessments with our best efforts based on the principles set out in HKAS 17, HKAS 18 and HKAS 39, and set forth below certain estimated key impact on our financial position and performance if HKAS 17, HKAS 18 and HKAS 39 were adopted instead.

- *Adoption of HKFRS 9 new impairment model* — HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses while it is based on as incurred model under HKAS 39. The Group assessed that the adoption of these different models would not result in significant difference on bad debt provision and the adoption of HKFRS 9 would not result in significant impact on the Group's financial position and performance as compared with HKAS 39.

- *Adoption of HKFRS 15* — With adoption of HKFRS 15, the revenues from property management, exhibition management service and sales of goods is recognized upon the services rendered over time or controls of goods transferred at a point in time depending on the terms of our contracts and the governing laws of such contracts, in which it does not have significant changes over the revenues recognition based on the period time the services rendered to the receiver or at the time the significant risk and rewards of goods transferred to the purchasers under HKAS 18. The Group assessed that adoption of HKFRS 15 would not result in significant impact on the Group's financial position and performance as compared with HKAS 18.

- *Adoption of HKFRS 16* — The Group mainly leases land use right. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group under HKFRS 16. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use-assets are mainly recognised as investment properties and carried at fair value, which are determined at each reporting date by external valuers after initial recognition. However, if HKAS 17 was adopted, these leases would be treated as operating lease and the rental expenses would be recognised on a straight-line basis. The Group assessed that adoption of HKFRS 16 did not have significant impact on the Group's net financial position and performance as compared with HKAS 17. For each of the years ended 31 December 2016, 2017 and 2018, if HKAS 17 was adopted, our profit for year would decrease by 1.8%, 0.9% and 5.2%, respectively, while our total equity as at 31 December 2016, 2017 and 2018 would decrease by 3.2%, 3.2% and 4.2%, respectively.

Leases

The Group as a lessee

The Group mainly leases land use right and properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payment that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the following:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs; and

(d) restoration costs.

The right-of-use-assets are recognised as investment properties and carried at fair value, which are determined at each reporting date by external valuers after initial recognition.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

The lease receivables under lease arrangements are recognised as "operating lease receivables" in the consolidated balance sheets.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("sublease lessor") to a third party, and the lease ("head lease") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

Property and equipment

Property and equipment is stated as historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Vehicles	3–5 years
Furniture and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Please refer to Note 2.9 in the Accountant's Report in Appendix I in this prospectus.

Construction in progress represents the direct costs of construction incurred of property and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals of other property and equipment are determined by comparing the proceeds with the carrying amounts and are recognised within ''Other (losses)/gains — net'' in the consolidated income statement.

Intangible assets

Acquired computer 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 (3 to 10 years). Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties at the date at which the leased asset is available for use by the Group. Investment property is initially measured at costs, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, which are determined at each reporting date by external valuers. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase recognised directly to equity in revaluation of surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or 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.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

In the case of a financial asset not at measured fair value through profit or loss at initial recognition, the Group measures the financial asset at its fair value plus the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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 consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

Offsetting financial instruments

Financial assets and financial liabilities are offset against each other and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Impairment of financial assets and operating lease receivables

For operating lease receivables and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Deposits and other receivables due from related parties, are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

For other receivables other than those from related parties, the Group adopted a ‘‘three-stage’’ model for impairment based on changes in credit quality since initial recognition as summarized below:

- The receivable which is not credit-impaired on initial recognition is classified as ‘‘Stage 1’’ and has its credit risk continuously monitored by the Group.
- If there is a significant increase in credit risk since initial recognition is identified, the receivables is moved to ‘‘Stage 2’’ but is not yet deemed to be credit impaired.
- If the receivables is credit-impaired, the financial instrument is then moved to ‘‘Stage 3’’.

Receivables in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis.

When measuring expected credit loss, the Group considers forward-looking information.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, such as properties under development, assets under construction and investment properties under construction, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the territories where the group entities operate and generate taxable income. The management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheets date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) Offsetting

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

Revenue recognition

(i) Operating lease rental income

It refers to revenue received by the Group from provision of leases for tenants who signed up lease contracts to run business at the Group's owned/leased portfolio shopping malls. Operating lease rental income is recognised on a straight-line basis over the period of the lease.

(ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

(iii) Exhibition management service

Revenue arising from exhibition management service is recognised in the accounting period in which the services are rendered. The Group recognises an amount to which the Group has a right to invoice and corresponds directly with the value of performance completed as revenue.

(iv) Sales of goods

Revenues from sales of goods are the revenue obtained from sales of hotel and home furnishing products and are recognised when the control of the goods are transferred to the customer. Control of the goods is transferred at point in time when the customer obtains the physical possession of the goods and the Group has present right to payment.

RESULTS OF OPERATIONS

The following table summarises the consolidated income statements during the Track Record Period.

Consolidated Income Statements

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	208,726	209,868	281,355	80,947	92,193
Cost of sales	(21,298)	(22,750)	(27,463)	(5,607)	(7,648)
Fair value gains on investment properties	49,168	50,840	126,247	121,372	2,144
Selling and marketing expenses	(57,422)	(35,299)	(23,570)	(7,881)	(12,094)
Administrative expenses	(24,963)	(30,888)	(39,804)	(13,764)	(13,438)
Net (impairment losses)/reversal of impairment loss on financial assets and operating lease receivables	(4,270)	(2,190)	(275)	1,135	(117)
Other income	3,705	3,887	69,324	664	1,709
Other (losses)/gain — net	(1,124)	(113)	90	—	(104)
Operating profit	152,522	173,355	385,904	176,866	62,645
Finance income	528	29,174	40,198	16,410	42
Finance expenses	(38,277)	(65,132)	(77,743)	(25,339)	(18,161)
Finance expenses — net	(37,749)	(35,958)	(37,545)	(8,929)	(18,119)
Profit before income tax	114,773	137,397	348,359	167,937	44,526
Income tax expenses	(39,326)	(48,613)	(98,133)	(46,463)	(17,221)
Profit for the year/period	75,447	88,784	250,226	121,474	27,305
Profit for the year/period attributable to:					
— Owners of the Company	58,951	76,910	189,213	84,524	28,174
— Non-controlling interests	16,496	11,874	61,013	36,950	(869)
	75,447	88,784	250,226	121,474	27,305

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED INCOME STATEMENTS

The following summarizes components of certain items appearing in the Accountant's Report set forth in Appendix I and our Unaudited Pro Forma Financial Information set forth in Appendix II in this prospectus, which are helpful in understanding the period-to-period discussion that follows below.

Revenue

Our revenue sources include (i) properties lease income; (ii) sales of goods; (iii) income from exhibition management service; and (iv) income from property management service. The following table sets forth a breakdown of our revenue by sources for the years ended 31 December 2016, 2017, 2018, and the four months ended 30 April 2018 and 2019.

Our Group's revenue is derived mainly from the operating lease rental income of our Group's owned/leased portfolio shopping malls, which are Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城), Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城), Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城), Xinji Dashi Home Furnishings Center (信基大石傢俬城), and Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心). The follow table sets forth a breakdown for our revenue during the track record period.

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental income:					
— Properties lease income	178,549	183,295	243,949	74,744	80,629
Revenue from contracts with customers:					
— Sales of goods	—	—	7,858	—	3,430
— Exhibition management service	6,235	5,509	5,697	—	—
— Properties management service	23,942	21,064	23,851	6,203	8,134
	30,177	26,573	37,406	6,203	11,564
Total	208,726	209,868	281,355	80,947	92,193

Rental income

Rental income are revenue received by the Group from provision of leases to tenants who signed up lease contracts to run business at the Group's owned/leased portfolio shopping malls. Operating lease rental income is recognised on a straight-line basis over the period of the lease. For the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, revenue from our rental income accounted for 85.5%, 87.3%, 86.7% and 87.5% respectively of our total revenue.

The changes in value of our rental income were primarily due to the level of rent, number of contracts signed by our Group for our Group's shopping malls and the contracts expired in each period for the above shopping malls. The contracts between the Group and tenants usually set out that the rent would increase by 8% annually.

Sales of goods

Revenue from sales of goods is the revenue we generated from selling domestic and international products through our Online Shopping Mall. For the year ended 31 December 2018 and the four months ended 30 April 2019, we generated revenue of RMB7.9 million and RMB3.4 million respectively from sale of goods, which accounted for 2.8% and 3.7% respectively of our total revenue.

Exhibition management services income

Revenue from our exhibition management service income includes fees received from exhibitor. For the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, revenue from our exhibition management services income accounted for 3.0%, 2.7%, 2.0% and 0.0% respectively of our total revenue. No exhibition management services income for the four months ended 30 April 2019 was generated because our major managed exhibition, the HOSFAIR, is organised annually in August or September.

The changes in the value of our exhibition management services fee income were primarily due to the number of of exhibitors and our Group's pricing on exhibit fee.

Properties management services income

Revenue from our property management services income is the management fee paid by the tenants under the property management agreements. For the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, it accounted for 11.5%, 10.0%, 8.5% and 8.8% respectively of our total revenue.

The changes in the value of our management fee income were primarily due to the value of management fee set out in the property management agreement between our Group and its tenants and the number of tenants who required our properties management service.

Cost of Sales

The following table sets forth a breakdown of our cost of sales for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000* (unaudited)	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Exhibition management expenses	3,652	17.1%	4,143	18.2%	4,309	15.7%	23	0.4%	—	0.0%
Property management expenses	3,443	16.2%	5,907	26.0%	6,818	24.8%	653	11.7%	996	13.0%
Electricity and water costs	4,482	21.0%	3,482	15.3%	4,171	15.2%	2,547	45.4%	2,172	28.4%
Tax and other levies	9,541	44.9%	9,057	39.8%	6,932	25.2%	2,339	41.7%	2,027	26.5%
Costs of sales of goods	—	0.0%	—	0.0%	5,225	19.0%	—	0.0%	2,453	32.1%
Others	180	0.8%	161	0.7%	8	0.1%	45	0.8%	—	0.0%
Total	21,298		22,750		27,463		5,607		7,648	

Our cost of sales includes exhibition management expenses, property management expenses, electricity and water costs, tax and other levies and costs of sales of goods.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales.

As a result of the foregoing, our overall gross profit were approximately RMB187.4 million, RMB187.1 million, RMB253.9 million and RMB84.5 million for the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Our overall gross profit margin were approximately 89.8%, 89.2%, 90.2% and 91.7% for the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Fair value gains on investment properties

Our fair value gains on investment properties mainly represented the changes in fair value of the investment properties which are determined at each reporting date by an external property valuer. Fair value gains on investment properties amounted to approximately RMB49.2 million, RMB50.8 million, RMB126.2 million and RMB2.1 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

In valuing the property interests, market approach and income approach have been adopted. Market approach is making reference to comparable market transactions in the assessment of the property interests and income approach is taking into account the rental income of the properties derived from the existing sub-leases and/or sub-leases achievable in the existing market with due allowance for the reversionary income potential of the sub-leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

Selling and marketing expenses

Our selling and marketing expenses mainly represented employee benefit expenses and marketing and advertising costs. Selling and marketing expenses amounted to RMB57.4 million, RMB35.3 million, RMB23.6 million and RMB12.1 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the years ended 31 December 2016 and 2017 and 2018 and the four months ended 30 April 2019:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	10,339	9,466	11,476	4,071	5,360
Marketing and advertising costs	45,681	24,871	9,322	3,682	4,539
Others	1,402	962	2,772	128	2,195
Total	57,422	35,299	23,570	7,881	12,094

Administrative expenses

Our administrative expenses mainly include employee benefit expenses, listing expenses, depreciation, amortisation, donation, legal and professional fees, entertainment expenses, exhibition expenses, and electricity and water costs. Administrative expenses amounted to RMB25.0 million, RMB30.9 million, RMB39.8 million and RMB13.4 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	11,684	16,931	14,999	4,369	3,869
Listing expenses	—	—	14,707	4,138	7,166
Depreciation	994	904	534	207	244
Amortisation	69	323	417	122	222
Donation	185	194	170	—	—
Legal and professional fees	675	956	1,562	679	761
Entertainment expenses	4,156	3,792	1,058	418	293
Exhibition expenses	214	184	384	151	170
Electricity and water costs	476	293	346	197	—
Others	6,510	7,311	5,627	3,483	713
Total	24,963	30,888	39,804	13,764	13,438

Other income

Our other income mainly represented dividend income from financial assets at fair value through other comprehensive income, compensation for demolition, forfeiture of advances received from customers, commission income due to amendment of rental contracts and other service income. Other income amounted to RMB3.7 million, RMB3.9 million, RMB69.3 million and RMB1.7 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

The compensation for demolition arose for the year ended 31 December 2018 because the government of Guangzhou Panyu District entered into an agreement with Guangzhou Shaxi Hotel for the compensation of the removal of part of the investment properties in order to develop the Guangzhou Shaxi metro station in July 2018. The amount of RMB65.5 million was recognised as other income for the compensation of the removal.

Other net losses or net gain

Other net losses or gain mainly came from the gain on disposal of property, plant and equipment and compensation paid by the Group. We recorded net loss amounted to RMB1.1 million, RMB0.1 million, net gain of RMB0.1 million and net loss of RMB0.1 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Operating profit

As a result of the foregoing, our overall operating profit were RMB152.5 million, RMB173.4 million, RMB385.9 million and RMB62.6 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Finance income

Our finance income comprised interest income from bank deposits and interest income from related parties. Our finance income amounted to RMB0.5 million, RMB29.2 million, RMB40.2 million and RMB42,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Finance expenses and net finance expenses

Our finance expenses comprised of leasing finance expenses, interest expenses deducting the borrowing costs capitalised for construction according to the relevant accountant standard. Our finance expenses amounted to RMB38.3 million, RMB65.1 million, RMB77.7 million and RMB18.2 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. Considering the finance income, our net finance expenses amounted to RMB37.7 million, RMB36.0 million, RMB37.5 million and RMB18.1 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Profit before income tax

As a result of the foregoing, our profit before income tax were RMB114.8 million, RMB137.4 million, RMB348.4 million and RMB44.5 million for the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Income tax expense

Income tax expenses represented income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is not taxation in the nature of inheritance tax or estate duty. The prevailing corporate income tax rates in the PRC is 25%. We had no tax payable in tax jurisdiction other than the PRC during the Track Record Period. Our income tax expenses comprise current PRC corporate income tax and deferred income tax.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our income tax expenses were RMB39.3 million, RMB48.6 million, RMB98.1 million and RMB17.2 million respectively. Please also refer to note 12 to our financial statements included in the Accountant's Report in Appendix I to this prospectus for a more detailed discussion on our income tax.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Non-HKFRS Measures

The term "core net profit" is not defined under HKFRS. The use of core net profit has material limitation as an analytical tool, as it does not include all items that have an impact on our net profit for the relevant period. In light of the foregoing limitations for the core net profit, when assessing our operating and financial performance, you should not view core net profit in isolation or as a substitute for our profit for the relevant periods or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because this non-HKFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Core Net Profit

We define core net profit as our profit attributables to the owners of the Company, excluding gains from increases in the fair value of investment properties, gains from the compensation of the removal of part of the investment properties by Guangzhou Shaxi Hotel,interest income from loans to a related party and adding back the listing expense and further adjusted for income tax effects for the aforementioned items. Core net profit eliminates the effect of non-cash gains from increases in the fair value of investment properties and the effect of other non-recurring or non-core items.

Calculation of Non-HKFRS Measures

We compensate for the limitations of the non-HKFRS measures by reconciling the non-HKFRS financial measures to the nearest HKFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our core net profit attributable to owners of the Company in the periods presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS.

	For the year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	75,447	88,784	250,226	121,474	27,305
Less: Fair value gains on investment properties	(49,168)	(50,840)	(126,247)	(121,372)	(2,144)
Less: Compensation for demolition	—	—	(65,545)	—	—
Less: Interest income from loans to a related party	—	(27,969)	(40,164)	(16,402)	—
Add: Listing expenses	—	—	14,707	4,138	7,166
Add: Income tax expenses in relation to above reconciled items	12,292	19,702	54,312	33,409	(1,256)
Core net profit for the year/period	38,571	29,677	87,289	21,247	31,071
— attribute to owners of the Company	23,001	11,751	64,100	11,777	31,940
— attribute to non-controlling interest	15,570	17,926	23,189	9,470	(869)

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2017

Revenue

Our revenue increased by RMB1.1 million or 0.5% from RMB208.7 million for the year ended 31 December 2016 to RMB209.9 million for the year ended 31 December 2017. Such increase was driven by an increase of RMB4.7 million in revenue from our rental income which was due to the increase of average rent of our shopping malls. The increase in rental income was mainly driven by Xinji Hotelex Hospitality Supplies Center. For Xinji Hotelex Hospitality Supplies Center, the number of tenancy contracts increased from 324 to 363 which increased the LFA occupied by tenants and the average annual rent increased by 29% from RMB660/sq.m. for the year ended 31 December 2016 to RMB850/sq.m. for the year ended 31 December 2017. As a result of the foregoing, the annual rent recognized increased 34% from RMB39.7 million to RMB53.1 million.

This was partially offset by the decrease in rental income of Xinji Shaxi Hospitality Supplies Expo Centre. For Xinji Shaxi Hospitality Supplies Expo Center, the number of tenancy contracts decreased from 582 to 537, which was due to the development of the Guangzhou Shaxi Metro Station, which led to the decrease of LFA. The decrease in rental income was also due to the policy of Xinji Shaxi Hospitality Supplies Expo Center in November 2016 that tenants who paid their rental expenses for the year ended 31 December 2017 in 2016 could enjoy two months rent-free period for the year ended 31 December 2017; Even though the average annual rent increased 10% from RMB1,490/sq.m. to RMB1,630/sq.m., the annual rent recognized decreased 9% from RMB100.9 million to RMB91.5 million.

The revenue of Xinji Shaxi Hospitality Supplies Expo Center (Shenyang), Xinji Dashi Home Furnishings Center and Xinji Shaxi Home Furnishings Expo Center(Shenyang) remained relatively stable for the years ended 31 December 2016 and 31 December 2017.

For Xinji Shaxi Hospitality Supplies Expo Center (Shenyang), the number of tenancy contracts decreased from 78 to 65 while the average annual rent remained unchanged at RMB360/sq.m.. The annual rent recognized decreased 7% from RMB8.7 million to RMB8.1 million.

For Xinji Dashi Home Furnishings Center, the number of tenancy contracts increased from 52 to 57 while the average annual rent slightly increased 1% from RMB450/sq.m. to RMB460/sq.m.. However, due to the policy that tenants of Xinji Dashi Home Furnishings Centre who paid their rental expenses in advance could enjoy a 15% discount of rental expenses for the year ended 31 December 2017, the annual rent recognized decreased 2% from RMB10.8 million to RMB10.6 million.

For Xinji Shaxi Home Furnishings Expo Center (Shenyang), the number of tenancy contracts increased from 117 to 154 while the average annual rent decreased 16% from RMB460/sq.m. to RMB390/sq.m.. As a result, the annual rent recognized increased 9% from RMB18.4 million to RMB20.0 million.

This was partially offset by a decrease of RMB2.9 million in management service fee income and a decrease of RMB0.7 million exhibition service income. The decrease of average management fee in Xinji Hotelex Hospitality Supplies Center from RMB30/sq.m. to RMB10/sq.m. set out in the lease agreements which the customers entered into around September 2016 set out above.

Cost of sales

Our cost of sales increased by RMB1.5 million or 6.8% from RMB21.3 million for the year ended 31 December 2016 to RMB22.8 million for the year ended 31 December 2017. Such increase was mainly due to an increase of RMB2.5 million property management expenses due to one-off construction works for Xinji Dashi Home Furnishings Center, Xinji Shaxi Home Furnishings Expo Center (Shenyang) and Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) amounted to RMB2.3 million, partially offset by the decrease of RMB1.0 million in electricity and water costs.

Gross profit and gross profit margin

As a result of the foregoing, in particular the increase of average rent for the year ended 31 December 2017 set out above, our overall gross profit decreased slightly by RMB0.3 million or 0.2% from RMB187.4 million for the year ended 31 December 2016 to RMB187.1 million for the year ended 31 December 2017. Due to the increase in cost of sales, driven by the one-off construction works for the year ended 31 December 2017 set out above, our overall gross profit margin slightly decreased from 89.8% for the year ended 31 December 2016 to 89.2% for the year ended 31 December 2017.

Fair value gains on investment properties

Our fair value gains on investment properties increased from RMB49.2 million for the year ended 31 December 2016 to RMB50.8 million for the year ended 31 December 2017, which was in line with the growth of rent levels of both passing and market rents Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang).

Selling and marketing expenses

Our selling and marketing expenses decreased by RMB22.1 million, or 38.5%, from RMB57.4 million for the year ended 31 December 2016 to RMB35.3 million for the year ended 31 December 2017. This was primarily due to the decrease of marketing and advertising costs from RMB45.7 million for the year ended 31 December 2016 to RMB24.9 million for the year ended 31 December 2017, since we placed less advertisement as a result of our enhanced market recognition after previous marketing activities.

Administrative expenses

Our administrative expenses increased by RMB5.9 million, or 23.7%, from RMB25.0 million for the year ended 31 December 2016 to RMB30.9 million for the year ended 31 December 2017. This was primarily due to the increase of employee benefit expenses of RMB5.2 million as we increased our salary and number of administrative staff; partially offset by the decrease of entertainment expenses of RMB0.4 million.

Other income

Our other income were RMB3.7 million and RMB3.9 million for the year ended 31 December 2016 and 2017 respectively which were fairly stable.

Other net losses

Our other net losses decreased by RMB1.0 million, or 89.9%, from RMB1.1 million for the year ended 31 December 2016 to RMB0.1 million for the year ended 31 December 2017, which was mainly due to the decrease in expenditure for the one-off compensation paid for a fire accident.

Operating profit and operating profit margin

As a result of the foregoing, our operating profit increased by RMB20.8 million, or 13.7%, from RMB152.5 million for the year ended 31 December 2016 to RMB173.4 million for the year ended 31 December 2017. Our operating profit margin increase from 73.1% for the year ended 31 December 2016 to 82.6% for the year ended 31 December 2017.

Finance income

Our finance income increased by RMB28.6 million, or 5,425.4%, from RMB0.5 million for the year ended 31 December 2016 to RMB29.2 million for the year ended 31 December 2017. This was primarily due to the increase in interest income of RMB28.0 million from related parties.

Finance expenses and net finance expenses

Our finance expenses increased by RMB26.9 million, or 70.2%, from RMB38.3 million for the year ended 31 December 2016 to RMB65.1 million for the year ended 31 December 2017. This was primarily due to increase in interest expense of RMB13.7 million and decreased capitalized interest of RMB13.4 million.

The increase in interest expenses was because of the increase in total borrowing of approximately RMB481.0 million during the year ended 31 December 2017.

The decrease of capitalized interest was due to the completion of certain phases of the construction of Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang).

As a result of the foregoing, our net finance expenses decreased by RMB1.8 million, or 4.7%, from RMB37.7 million for the year ended 31 December 2016 to RMB36.0 million for the year ended 31 December 2017.

Income tax expenses

Our income tax expenses increased by RMB9.3 million or 23.6% from RMB39.3 million for the year ended 31 December 2016 to RMB48.6 million for the year ended 31 December 2017. The increase was mainly due to the increase in profit before taxation, which was mainly attributable to the decrease in selling and marketing expenses of RMB22.1 million. Our effective tax rate increased slightly from 34.3% for the year ended 31 December 2016 to 35.4% for the year ended 31 December 2017.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by RMB13.3 million or 17.7% from RMB75.4 million for the year ended 31 December 2016 to RMB88.8 million for the year ended 31 December 2017. Our net profit margin was 36.1% for the year ended 31 December 2016 and 42.3% for the year ended 31 December 2017, which was mainly attributable to the decrease in selling and marketing expenses of RMB22.1 million.

Core Net Profit

Our core net profit attributable to the owners of the Company for the year decreased by RMB11.2 million, or 48.9%, from RMB23.0 million for the year ended 31 December 2016 to RMB11.8 million for the year ended 31 December 2017 as a result of the increase in total borrowing (and therefore interest expenses incurred) by the Guangzhou Shaxi Hotel and Shenyang Xinji Industrial. Our core net profit margin decreased from 11.0% for the year ended 31 December 2016 to 5.6% for the year ended 31 December 2017. Our core net profit does not take into account any non-controlling interests.

Year ended 31 December 2017 compared to year ended 31 December 2018

Revenue

Our revenue increased by RMB71.5 million or 34.1% from RMB209.9 million for the year ended 31 December 2017 to RMB281.4 million for the year ended 31 December 2018. Such increase was driven by the increase of RMB60.7 million of the rental income and the revenue from sales of goods of RMB7.9 million.

The increase in rental income was driven by all five shopping malls of the Group, in particular Xinji Shaxi Hospitality Supplies Expo Center.

For Xinji Shaxi Hospitality Supplies Expo Center, the number of tenancy contracts increased from 537 to 553 and the average annual rent increased 60% from RMB1,630/sq.m. to RMB2,610/sq.m. As a result of the foregoing, the annual rent recognized increased 48% from RMB91.5 million to RMB135.6 million. The underlying reasons were as follows:

1. It is the industry practice that upon expiry of a tenancy contract, the Company will reconsider the rent according to the market situation, which could bring a significant increase in revenue. Most tenancy contracts were entered into in 2014 with a term of 4 years. For the year ended 31 December 2018, upon expiration of such contracts, some tenants of Xinji Shaxi Hospitality Supplies Expo Centre re-signed tenancy contracts with higher average rent with the Group. These tenancy contracts accounted for approximately 56% of the LFA of Xinji Shaxi Hospitality Supplies Expo Centre in 2017 and contributed to approximately RMB26.9 million.

2. The demolition of shopping malls due to the construction of Guangzhou Shaxi metro station decreased the LFA and decreased RMB4.4 million of the revenue of the Group for the year ended 31 December 2018.

3. Due to the construction of Guangzhou Shaxi Metro station and the demolition of shopping malls mentioned above, the government of Guangzhou Panyu District entered into an agreement with Guangzhou Shaxi Hotel in which the government of Guangzhou Panyu District agreed that Guangzhou Shaxi Hotel could build temporary shopping malls in the center and the corridors in the North of Xinji Shaxi Hospitality Supplies Expo Centre (the ''Guangzhou Shaxi Metro Agreement''). This increased the LFA of Xinji Shaxi Hospitality Supplies Expo Centre and contributed to approximately RMB21.8 million of the revenue of the Group.

For Xinji Hotelex Hospitality Supplies Center, the number of tenancy contracts increased from 363 to 466. The average annual rent decreased 8% from RMB850/sq.m. to RMB790/sq.m.. As a result of the foregoing, the annual rent recognized increased by 5% from RMB53.1 million to RMB55.7 million.

For Xinji Dashi Home Furnishings Center, the number of tenancy contracts remained unchanged at 57 and the average annual rent remained at RMB460/sq.m.. The annual rent recognized increased by 8% from RMB10.6 million to RMB11.5 million.

For Xinji Shaxi Hospitality Supplies Expo Center (Shenyang), the number of tenancy contracts increased from 65 to 72 and the average annual rent increased from RMB360/sq.m. to RMB510/sq.m. *(Note 1)*. The annual rent recognized increased by 55% from RMB8.1 million to RMB12.5 million.

For Xinji Shaxi Home Furnishings Expo Center (Shenyang), the number of tenancy contracts increased from 154 to 188 while the average annual rent increased by 51% from RMB390/sq.m. to RMB590/sq.m. *(Note 2)*. The annual rent recognized increased by 44% from RMB20.0 million to RMB28.8 million.

Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang) also had more tenants in 2018 with higher occupancy rate.

The increase in the revenue from sales of goods of RMB7.9 million was because in April 2018, our Group further acquired 42% equity interest in Guangzhou Xinji Dajing and Guangzhou Xinji Dajing subsequently became a subsidiary of our Group. The revenue from sales of goods was brought by the Online Shopping Mall which Guangzhou Xinji Dajing set up with 北京京東世紀貿易 in September 2017.

Notes:

1. As an accounting principle, all rental income generated during the term of the lease shall be evenly distributed to each year. Any increase in the revenue is therefore resulted from the increase in LFA, the increase in rent per sq.m. or the reduction of rent-free periods agreed in new tenancy agreements signed. It is also the industry practice that upon expiry of a tenancy contract, the Company will reconsider the rent according to the market situation, which could bring a significant increase in revenue. Tenancy agreements for Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) are usually for a term of 3 years. When it first came into operation in 2015, the Company had offered a

wider rent-free period as a commercial incentive to attract new tenants. The first batch of tenancy agreements had included a rent-free period of 12 months. Following the expiry of these tenancy agreements in 2018, to cater for the then market situation, the Company had adjusted the rent-free period to 3 months for any new tenancy agreements signed. There were 69 cases of newly signed tenancy agreements in 2018, constituting 96% of the total 72 tenancy agreements signed in the same year. Accordingly, this led to a significant increase in revenue for Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) in 2018. The occupancy rate did not pose a significant effect to the average annual rent.

2. Tenancy agreements for Xinji Shaxi Home Furnishings Expo Center (Shenyang) are usually for a term of 3 years. When it first came into operation in 2015, the Company had offered a wider rent-free period as a commercial incentive to attract new tenants. The first batch of tenancy agreements had included a rent-free period of 15 months. Following the expiry of these tenancy agreements in 2018, to cater for the then market situation, the Company had adjusted the rent-free period to 6 to 9 months for any new tenancy agreements signed. There were 165 cases of newly signed tenancy agreements in 2018, constituting 88% of the total 188 tenancy agreements signed in the same year. Accordingly, this led to a significant increase in revenue for Xinji Shaxi Home Furnishings Expo Center (Shenyang) in 2018. The occupancy rate did not pose a significant effect to the average annual rent.

Cost of sales

Our cost of sales increased by RMB4.7 million or 20.7% from RMB22.8 million for the year ended 31 December 2017 to RMB27.5 million for the year ended 31 December 2018. Such increase was primarily attributable to the increase of the cost of sales of goods incurred by the Online Shopping Mall amounted to RMB5.2 million.

Gross profit and gross profit margin

As a result of the foregoing, in particular the increase in rental income for the year ended 31 December 2018 our overall gross profit increased by RMB66.8 million or 35.7% from RMB187.1 million for the year ended 31 December 2017 to RMB253.9 million for the year ended 31 December 2018. Due to the increase in revenue offset by the increase in cost of sales set out above, our overall gross profit margin increase from 89.2% for the year ended 31 December 2017 to 90.2% for the year ended 31 December 2018.

Fair value gains on investment properties

Our fair value gains on investment properties increased from RMB50.8 million for the year ended 31 December 2017 to RMB126.2 million for the year ended 31 December 2018, which was mainly due to the increase in LFA and market rents of Xinji Shaxi Hospitality Supplies Expo Center during the year.

Selling and marketing expenses

Our selling and marketing expenses decreased from RMB35.3 million for the year ended 31 December 2017 to RMB23.6 million for the year ended 31 December 2018, which was mainly due to the decrease of marketing and advertising costs of RMB15.5 million, since we placed less advertisement as a result of our enhanced market recognition after previous marketing activities.

Administrative expenses

Our administrative expenses increased from RMB30.9 million for the year ended 31 December 2017 to RMB39.8 million for the year ended 31 December 2018, which was mainly due to the increase of listing expenses of RMB14.7 million; partially offset by the decrease of entertainment expense and the employee benefit expense, in particular dismissal expense, as a result of better cost control.

Other income

Our other income increased from RMB3.9 million for the year ended 31 December 2017 to RMB69.3 million for the year ended 31 December 2018, which was mainly due to the one-off compensation for demolition.

Other net losses/gain

Our other net losses or gain changed from a loss of RMB0.1 million for the year ended 31 December 2017 to a net gain of RMB0.1 million for the year ended 31 December 2018, which was mainly due to a gain on disposal of property and equipment, due to the sale of vehicles which were originally used in Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishings Expo Centre (Shenyang).

Operating profit and operating profit margin

As a result of the foregoing, our operating profit increased from RMB173.4 million for the year ended 31 December 2017 to RMB385.9 million for the year ended 31 December 2018. Our operating profit margin increased from 82.6% for the year ended 31 December 2017 to 137.2% for the year ended 31 December 2018.

Finance income

Our finance income increased from RMB29.2 million for the year ended 31 December 2017 to RMB40.2 million for the year ended 31 December 2018, which was mainly due to the increase in interest income from Xinji Group Co. Ltd.

Finance expenses and net finance expenses

Our finance expenses increased from RMB65.1 million for the year ended 31 December 2017 to RMB77.7 million for the year ended 31 December 2018, which was mainly due to increase in interest expenses for bank borrowings.

As a result of the change of financial income and finance expenses set out above, our net finance expenses increased from RMB36.0 million for the year ended 31 December 2017 to RMB37.5 million for the year ended 31 December 2018.

Income tax expenses

Our income tax expenses increased by RMB49.5 million or 101.9% from RMB48.6 million for the year ended 31 December 2017 to RMB98.1 million for the year ended 31 December 2018. The increase was mainly due to the increase in profit before taxation. Our effective tax rate decreased from 35.4% for the year ended 31 December 2017 to 28.2% for the year ended 31 December 2018 which was primarily due to the increase of profit before tax while the tax credit remained at the similar level.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by RMB161.4 million or 181.8% from RMB88.8 million for the year ended 31 December 2017 to RMB250.2 million for the year ended 31 December 2018. Further, our net profit margin increased from 42.3% for the year ended 31 December 2017 to 88.9% for the year ended 31 December 2018, which was primarily attributable to (i) the increase of RMB66.8 million in gross profit; (ii) increase in other income amounted to RMB65.4 million; and (iii) increase in fair value gains on investment property amounted to RMB75.4 million.

Core Net Profit

Our core net profit attributable to owners of the Company for the year increased by RMB52.3 million, or 445.5%, from RMB11.8 million for the year ended 31 December 2017 to RMB64.1 million for the year ended 31 December 2018, this was mainly attributable to the increase in rental income, in particular, that driven by Xinji Shaxi Hospitality Supplies Expo Center, coupled with the decrease of marketing and advertising costs and the increase of 49% equity interest in Guangzhou Wanhua Hotel attributable to the Group pursuant to the Reorganisation. Our core net profit margin increased from 5.6% for the year ended 31 December 2017 to 22.8% for the year ended 31 December 2018. Our core net profit does not take into account any non-controlling interests.

Four months ended 30 April 2018 compared to four months ended 30 April 2019

Revenue

Our revenue increased by RMB11.2 million or 13.9% from RMB80.9 million for the four months ended 30 April 2018 to RMB92.2 million for the four months ended 30 April 2019. Such increase was driven by an increase of RMB5.9million in revenue from our rental income which was due to the increase in rental income of all five shopping malls of the Group, in particular Xinji Shaxi Hospitality Supplies Expo Centre, Xinji Hotelex Hospitality Supplies Center and Xinji Shaxi Hospitality Supplies Expo Center (Shenyang). It was also because of the increase of revenue brought by the sales of goods of RMB3.4 million and increase of properties management service of RMB1.9 million.

For Xinji Shaxi Hospitality Supplies Expo Centre, the number of tenancy contracts increased from 557 to 573 which increased the LFA occupied by tenants and the average rent over the four months increased by 1.3% from RMB750/sq.m. to RMB760/sq.m *(Note 1)*. As a result of the foregoing, the four-month rent recognized increased 5.0% from RMB43.2 million to RMB45.4 million *(Note 2)*. Such increase was attributable to: (i) the Guangzhou Shaxi Metro Agreement which increased the LFA of Xinji Shaxi Hospitality Supplies Expo Centre and contributed to the increase of the revenue of the Group of approximately RMB1.6 million *(Note 3)*; and (ii) some tenants of Xinji Shaxi Hospitality Supplies Expo Centre re-signed tenancy contracts with higher average rent with the Group and contributed to additional RMB0.5 million of the revenue of the Group.

For Xinji Hotelex Hospitality Supplies Center, the number of tenancy contracts increased from 395 to 486 which increased the LFA occupied by tenants and the average rent over the four months remains unchanged at RMB270/sq.m.. As a result of the foregoing, the annual rent recognized increased 9.8% from RMB17.4 million to RMB19.1 million.

For Xinji Dashi Home Furnishings Center, the number of tenancy contracts remained unchanged at 57 and the average rent over the four months increased by 6.7% from RMB150/sq.m. to RMB160/sq.m. As a result of the foregoing, the four-month rent recognized increased 10.3% from RMB3.6 million to RMB4.0 million.

For Xinji Shaxi Hospitality Supplies Expo Center (Shenyang), the number of tenancy contracts increased from 67 to 69 which increased the LFA occupied by tenants but the average rent over the four months decreased by 5.9% from RMB170/sq.m. to RMB160/sq.m. *(Note 4)*. As a result of the foregoing, the annual rent recognized increased 1.1% from RMB3.97 million to RMB4.0 million.

Note 1: Despite the addition of 7,700 sq.m. (approximately 14.9% increase) in LFA, such newly signed tenancy contracts only commenced from April 2019. The monthly rent of these newly signed tenancy contracts was relatively low at RMB30/sq.m. compared to the average contract rent of approximately RMB189/sq.m. of other tenancy contracts at Xinji Shaxi Hospitality Supplies Expo Center due to the surroundings of the metro relocation site. This only resulted in a slight increase of the revenue of RMB0.2 million during the period. The rental income generated during the first four months of 2019 was therefore not significantly boosted by the additional LFA. Accordingly, in calculating the annualised rental, the difference in the average rental of 2018 and 2019 was not significant despite the additional LFA. Whereas there was an increase in the number of tenancy contracts by 20 from 553 as of 31 December 2018 to 573 as of 30 April 2019 and some tenants re-signed tenancy contracts with higher average rent with the Group, however, such increase both in number of tenancy contracts and rent does not pose a significant effect to the resultant figure given the base effect.

Compared to 2018, the annualised rental income per unit of 2019 decreased from RMB2,610/sq.m. to RMB2,280/sq.m., which was primarily due to the fact that the unit contract price of the newly signed tenancy contracts in April 2019 with the area of approximately 7,700 sq.m. was lower than that of the previous tenancy contracts signed.

Note 2: With respect to Xinji Shaxi Hospitality Supplies Expo Center, there was a substantial number of lease renewal for FY2018. 460 tenancy contracts expired and were renewed with higher rent, being 83% of the total number of tenancy contracts (553) in FY2018. This resulted in a drastic increase in the revenue of FY2018. By contrast, for 4M2019, as there was no such significant lease renewal, the Group therefore did not experience revenue growth of similar scale as FY2018 as the rental area remained steady.

Note 3: Under the Guangzhou Shaxi Metro Agreement, the Group was permitted to rebuild "the temporary shopping malls in the center" (approximately 9,200 sq.m, being rented out since December 2017) and "the corridors in the North of Xinji Shaxi Hospitality Supplies Expo Center" (approximately 2,500 sq.m, being gradually rented out since March 2018). Such area generated revenue of approximately RMB0.5 million in 2017, which increased to approximately RMB25.5 million in 2018. The metro relocation project also caused a decease in revenue of approximately RMB3.2 million, leading to a net increase in revenue of approximately RMB21.8 million.

Further, as a result of the metro relocation project, revenue of 4M2019 was increased by RMB1.6 million compared to 4M2018 due to the following factors:

(i) there was an increase in the revenue by approximately RMB0.2 million as the Group was permitted to rebuild an exhibition hall of Xinji Shaxi Hospitality Supplies Expo Center in 2019 (approximately 7,700 sq.m, being rented out since April 2019);

(ii) as the rebuilt area of "the temporary shopping malls in the center" and "the corridors in the North of Xinji Shaxi Hospitality Supplies Expo Center" was rented out gradually, revenue was not generated in full between January 2018 and April 2018. Compared to the revenue of approximately RMB6.5 million for 4M2018, the revenue attributed to such area amounted to approximately RMB10.1 million for 4M2019, resulting in an increase in revenue of approximately RMB3.6 million for 4M2019; and

(iii) a reduction in the revenue of approximately RMB2.3 million due to the metro relocation project.

Accordingly, revenue of 4M2019 was increased by RMB1.6 million, as compared to the corresponding period in 2018.

Note 4: It is inapt to apply annualization to form the basis of estimating the average annual rental income as during the period from January through April 2019, new leases had been entered into with respect to Xinji Shaxi Hospitality Supplies Expo Center (Shenyang). The Company estimates that the average annual rental stands at approximately RMB544/sq.m., representing an increase of approximately 6.7% from that of FY2018. This is because some new leases with an aggregate lease area of 5,272 sq.m. were entered into towards the end of April 2019, such lease area was applied as the denominator for calculating the average annual rental as at 30 April 2019 but the corresponding rental amounting to approximately RMB2.0 million would only be recognized and accounted for from May 2019 onwards.

For Xinji Shaxi Home Furnishings Expo Center (Shenyang), the number of tenancy contracts increased from 129 to 193 which increased the LFA occupied by tenants and the average rent over the four months remained unchanged at RMB160/sq.m. *(Note 5)*. As a result of the foregoing, the four-month rent recognized increased 24.5% from RMB6.6 million to RMB8.2 million.

Note 5: Likewise, it is inapt to apply annualization to form the basis of estimating the average annual rental income as during the period from January through April 2019, new leases had been entered into with respect to Xinji Shaxi Home Furnishings Expo Center (Shenyang). The Company estimates that the average annual rental stands at approximately RMB504/sq.m., representing a decrease of approximately 15.0% from that of FY2018.

Cost of sales

Our cost of sales increased by RMB2.0 million or 36.4% from RMB5.6 million for the four months ended 30 April 2018 to RMB7.6 million for the four months ended 30 April 2019. Such increase was mainly due to the increase of the cost of sales of goods incurred by the Online Shopping Mall which amounted to RMB2.5 million.

Gross profit and gross profit margin

As a result of the foregoing, in particular the increase of revenue of our rental income for the four months ended 30 April 2019 set out above, our overall gross profit increased slightly by RMB9.2 million or 12.2% from RMB75.3 million for the four months ended 30 April 2018 to RMB 84.5 million for the four months ended 30 April 2019.

As our Online Shopping Mall entailed relatively lower margin, our overall gross profit margin slightly decreased from 93.1% for the four months ended 30 April 2018 to 91.7% for the four months ended 30 April 2019.

Fair value gains on investment properties

Our fair value gains on investment properties decreased from RMB121.4 million for the four months ended 30 April 2018 to RMB2.1 million for the four months ended 30 April 2019, which was mainly because of the absence of significant changes in the fair value of investment properties of Xinji Shaxi Hospitality Supplies Expo Centre. For the four months ended 30 April 2018, the fair value gains on investment properties increased to RMB121.4 million due to the Guangzhou Shaxi Metro Agreement which increased significantly the LFA of Xinji Shaxi Hospitality Supplies Expo Centre.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB4.2 million, or 53.5%, from RMB7.9 million for the four months ended 30 April 2018 to RMB12.1 million for the four months ended 30 April 2019. This was primarily attributable to (i) an increase of RMB1.3 million in employee benefit expenses as a result of the Online Shopping Mall; (ii) an increase of RMB0.9 million in marketing and advertising costs as we enhanced our marketing efforts to assist new tenants to promote their business; and (iii) an increase of RMB1.5 million due to the operation expenses of the online platform and transportation costs of the Online Shopping Mall and other advertisements regarding the commercial operation of the Group.

Administrative expenses

Our administrative expenses were RMB13.8 million and RMB13.4 million for the four months ended 30 April 2018 and 30 April 2019, which were fairly stable.

Other income

Our other income increased by RMB1.0 million or 157.4% from RMB0.7 million for the four months ended 30 April 2018 to RMB1.7 million for the four months ended 30 April 2019. Such increase was mainly due to the one-off compensation for demolition.

Other net losses

Our other net losses increased from nil for the four months ended 30 April 2018 to RMB0.1 million for the four months ended 30 April 2019, which was due to exchange loss.

Operating profit and operating profit margin

As a result of the foregoing, our operating profit decreased by RMB114.2 million, or 64.6%, from RMB176.9 million in particular the decrease in fair value gains on investment properties, for the four months ended 30 April 2018 to RMB62.6 million for the four months ended 30 April 2019. Our operating profit margin decreased from 218.5% for the four months ended 30 April 2018 to 67.9% for the four months ended 30 April 2019 due to the decrease of the fair value gains on investment properties.

Finance income

Our finance income decreased by RMB16.4 million, or 99.7%, from RMB16.4 million for the four months ended 30 April 2018 to RMB42,000 for the four months ended 30 April 2019. This was primarily due to the cessation of interest income from related parties.

Finance expenses and net finance expenses

Our finance expenses decreased by RMB7.2 million, or 28.3%, from RMB25.3 million the four months ended 30 April 2018 to RMB18.2 million for the four months ended 30 April 2019. This was primarily due to the decrease in interest expenses of RMB7.4 million. As a result of the foregoing, our net finance expenses increased by RMB9.2 million, or 102.9%, from RMB8.9 million for the four months ended 30 April 2018 to RMB18.1 million for the four months ended 30 April 2019.

Income tax expenses

Our income tax expenses decreased by RMB29.2 million or 62.9% from RMB46.5 million for the four months ended 30 April 2018 to RMB17.2 million for the four months ended 30 April 2019. The decrease was mainly due to decrease in profit before tax. Our effective tax rate increased from 27.7% for the four months ended 30 April 2018 to 38.7% for the four months ended 30 April 2019. Such increase was mainly due to (i) the increase in expenses in relation to the Listing which are not tax deductible; and (ii) the decrease in fair value gains on investment properties which led to the decrease in profit before tax.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the four months ended 30 April 2019 decreased by RMB94.2 million or 77.5% from RMB121.5 million for the four months ended 30 April 2018 to RMB27.3 million for the four months ended 30 April 2019. Our net profit margin was 150.1% for the four months ended 30 April 2018 and 29.6% for the four months ended 30 April 2019, which was mainly attributable to (i) the decrease in fair value gains on investment properties amounted to RMB119.2 million; and (ii) the increase in net finance expense amounted to RMB9.2 million.

Core Net Profit

Our core net profit attributable to the owners of the Company for the four months ended 30 April 2019 increased by RMB20.2 million, or 171.2%, from RMB11.8 million for the four months ended 30 April 2018 to RMB31.9 million for the four months ended 30 April 2019, due to (i) the increase of 49% equity interest in Guangzhou Wanhua Hotel and the increase of 30% equity interest in Guangzhou Shaxi Hotel attributable to the Group, pursuant to the Reorganisation; and (ii) the decrease in total borrowing (and therefore interest expenses incurred) by the Guangzhou Shaxi Hotel. Our core net profit margin increased from 14.5% for the four months ended 30 April 2018 to 34.6% for the four months ended 30 April 2019. Our core net profit does not take into account any non-controlling interests.

Quantitative analysis on the changes in the average annual rental and occupancy rate

The following table sets forth the information regarding the average annual rental and occupancy rate of each of our shopping malls during the Track Record Period:

	As of 31 December 2016			As of 31 December 2017			As of 31 December 2018			As of 30 April 2019		
Shopping malls	Total LFA	Occupancy rate	Average annual rental *(RMB per sq.m.)*	Total LFA	Occupancy rate	Average annual rental *(RMB per sq.m.)*	Total LFA	Occupancy rate	Average annual rental *(RMB per sq.m.)*	Total LFA	Occupancy rate	Annualised Average annual rental *(RMB per sq.m.)*
Xinji Shaxi Hospitality Supplies Expo Center	68,908.1	98%	1,490	56,671.7	99%	1,630	62,124.1	83%	2,610	62,124.1	96%	2,280
Xinji Hotelex Hospitality Supplies Center	70,237.5	85%	660	70,845.3	88%	850	70,845.3	100%	790	70,845.3	100%	810
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang)	48,933.4	50%	360	48,933.4	46%	360	48,933.4	50%	510	48,933.4	51%	480
Xinji Dashi Home Furnishings Center	24,894.0	96%	450	24,894.0	94%	460	24,779.2	100%	460	24,779.2	100%	480
Xinji Shaxi Home Furnishings Expo Center (Shenyang)	63,362.4	63%	460	63,362.4	81%	390	63,362.4	77%	590	63,362.4	79%	480

Xinji Shaxi Hospitality Supplies Expo Center

The occupancy rate of Xinji Shaxi Hospitality Supplies Expo Center remained above 98% as of 31 December 2016 and as of 31 December 2017 despite a decrease of approximately 12,236.4 sq.m. in the LFA resulting from the construction of Guangzhou Shaxi metro station as the shopping mall was well-developed in the region. As most of the demolished LFA originated from warehouse and their average annual rent was relatively lower than retail spaces, the average annual rent of retail spaces increased upon the demolition of such warehouse from approximately RMB1,490/sq.m. for FY2016 to approximately RMB1,630/sq.m. for FY2017.

Pursuant to the Guangzhou Shaxi Metro Agreement, Xinji Shaxi Hospitality Supplies Expo Center was allowed to rebuild certain areas as retail spaces and exhibition hall, resulting in an increase in approximately 5,500 sq.m. in the LFA for FY2018. However, due to the fact that construction for such areas were not completed and leased to tenants in time, the occupancy rate decreased from 99% to 83% from 31 December 2017 to 31 December 2018. The average annual rent increased by approximately 60% from approximately RMB1,630/sq.m. in FY2017 to approximately RMB2,610/sq.m. in FY2018 as there was a substantial number of lease renewal in FY2018. 460 tenancy contracts expired and were renewed with higher rent having considered the demand of retail spaces in the market, being 83% of the total number of tenancy contracts (553) in FY2018. This resulted in a drastic increase in the average annual rent in FY2018.

As of 30 April 2019, construction of all new retail spaces and exhibition hall under the Guangzhou Shaxi Metro Agreement was completed and was gradually leased to tenants for their business operation, resulting in an increase in the occupancy rate of Xinji Shaxi Hospitality Supplies Expo Center from 83% as of 31 December 2018 to 96% as of 30 April 2019. As the rebuilt exhibition hall of approximately 7,700 sq.m. was leased to tenants since April 2019, there was only a slight increase in the rental income for 4M2019 of one month of rent of approximately RMB0.2 million. The average annual rent decreased by approximately 12.6% from approximately RMB2,610/sq.m. for FY2018 to approximately RMB2,280/sq.m. for 4M2019. It was mainly due to the decreased unit contract price of the newly signed contracts in April 2019 with the surroundings of the metro relocation project. The average annual rent of other leased properties will maintain at approximately RMB2,610/sq.m. if the rental income generated from the newly leased area since April 2019 is not considered.

Xinji Hotelex Hospitality Supplies Center

Due to a series of marketing and promotional strategies, Xinji Hotelex Hospitality Supplies Center recorded an increasing occupancy rate of 85%, 88%, 100% and 100% during the Track Record Period.

The average annual rent increased by approximately 29% from RMB660/sq.m. in FY2016 to RMB850/sq.m. in FY2017 as there was a substantial number of lease renewal after July 2016. 178 tenancy contracts expired and were renewed with higher rent having considered the demand of retail spaces in the market, being 55% of the total number of tenancy contracts (324) in FY2017. As such new contracts were entered into after July 2016 and the rental income of FY2017 was significantly influenced, this resulted in a drastic increase in the average annual rent in FY2017.

We offered discount to the rent as an incentive to expand our tenant base, such as those who sell coffee equipment and supplies, resulting in a decrease in the average annual rent by approximately 7% from RMB850/sq.m. in FY2017 to RMB790/sq.m. in FY2018, whereas the average annual rent slightly increased by approximately 3% from RMB790/sq.m. in FY2018 to RMB810/sq.m. in 4M2019 as the market generally remained stable.

Xinji Shaxi Hospitality Supplies Expo Center (Shenyang)

Tenancy agreements for Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) are usually for a term of 3 years. When it first came into operation in 2015, the Company had offered a wider rent-free period as a commercial incentive to attract new tenants. As of 31 December 2016, it recorded an occupancy rate of approximately 50% as the business operation was still undergoing. Upon expiration of some of the tenancy contracts in 2017 resulted from adjustment of marketing strategies, there was a decrease in the occupancy rate to approximately 46% as of 31 December 2017 and the average annual rent remained at approximately RMB360/sq.m.

During 2018, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) continued with its marketing strategy and attracted new tenants, resulting in an occupancy rate of 50%. The first batch of tenancy agreements had included a rent-free period of 12 months. Following the expiry of these tenancy agreements in 2018, to cater for the then market situation, the Company had adjusted the rent-free period to 3 months for any new tenancy agreements signed. There were 69 cases of newly signed tenancy agreements in 2018, constituting 96% of the total 72 tenancy agreements signed in the same year, with an increase in the average annual rent by approximately 42% from approximately RMB360/sq.m. for FY2017 to approximately RMB510/sq.m. for FY2018.

As of 30 April 2019, there was an increase of approximately 7,676 sq.m. in the LFA of Xinji Shaxi Hospitality Supplies Expo Center (Shenyang). Upon readjustment of our marketing and commercial strategies, our occupancy rate increased to approximately 51%. Tenancy contracts occupying approximately 5,300 sq.m. of LFA has commenced since end of April in 2019, and the rental income generated from such leases were only recognized in May 2019. This has resulted in decrease in the average annualised rent by approximately 6% from RMB510/sq.m. for FY2018 to RMB480/sq.m. for 4M2019. Based on the above-mentioned analysis, it is expected that the average annual rent of Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) will be higher than RMB480/sq.m. in 2019.

Xinji Dashi Home Furnishings Center

The average annual rent of Xinji Dashi Home Furnishings Center remained relatively stable with an occupancy rate of almost 100% during the Track Record Period. In order to enhance the tenant mix, we did not renew contracts expired in end of 2017, resulting in a slight decrease in the occupancy rate as of 31 December 2017. Upon completion of the readjustment, our occupancy rate reached 100% as of 31 December 2018.

The average annual rent recorded a slight increase from approximately RMB450/sq.m. for FY2016 to approximately RMB460/sq.m. for FY2017 and FY2018 without significant change.

There were 20 cases of new tenancy agreements with a higher rent entered into from July 2018 due to the then market situation. This resulted in an increase by approximately 5% in the average annual rent from approximately RMB460/sq.m. for FY2018 to approximately RMB480/sq.m. for 4M2019 (annualised).

Xinji Shaxi Home Furnishings Expo Center (Shenyang)

Tenancy agreements for Xinji Shaxi Home Furnishings Expo Centre (Shenyang) are usually for a term of 3 years. When it first came into operation in 2015, the Company had offered a wider rent-free period as a commercial incentive to attract new tenants. As of 31 December 2016, it recorded an occupancy rate of approximately 63% as the business operation was still undergoing. The occupancy rate increased to approximately 81% as of 31 December 2017 due to the decrease in approximately 7,053 sq.m. of LFA to eliminate tenants with unsatisfactory performance and the increase in approximately 14,470 sq.m. of LFA for new competitive tenants. Despite the increase in the occupancy rate, the term of such new tenancy contracts did not cover a period of 12 months, resulting in a decrease of approximately 15% in the average annual rent from RMB460/sq.m. for FY2016 to RMB390/sq.m. for FY2017.

Readjustment of business operation continued in 2018 and tenants with unsatisfactory performance were eliminated upon termination of their contracts. This resulted in a slight decrease in the occupancy rate from approximately 81% as of 31 December 2017 to approximately 77% as of 31 December 2018. However, upon the expiration of the first batch of tenancy agreements which included a rent-free period of 15 months, to cater for the then market situation, we adjusted the rent-free period to 6 to 9 months for any new tenancy agreements signed. Accordingly, there were 165 cases of newly signed tenancy agreements in 2018, constituting 88% of the total 188 tenancy agreements signed in the same year, with an increase in the average annual rent by approximately 51% from approximately RMB390/sq.m. for FY2017 to approximately RMB590/sq.m. for FY2018.

In 2019, we continued to actively adjust and evaluate the performance of our tenants and the market situation and we decided not to renew the tenancy contracts occupying approximately 13,012 sq.m. of LFA which expired in 2018. Despite the fact that we successfully attracted new competitive tenants during January to April in 2019 and the occupancy rate slightly increased from 77% as of 31 December 2018 to 79% as of 30 April 2019, the rental income generated from such contracts were less than four months pursuant to new rental discounts. This had a relatively significant impact on the annualised average rent and resulted in a decrease from approximately RMB590/sq.m. for FY2018 to approximately RMB480/sq.m. for 4M2019. However, with the completion of the market adjustment in late 2019, it is expected that the average annual rent of Xinji Shaxi Home Furnishings Expo Center (Shenyang) will be higher than RMB480/sq.m. in 2019.

Consolidated balance sheets

The following table sets forth the items of the consolidated balance sheets at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property and equipment	1,594	1,402	870	1,749
Investment properties	2,740,060	2,874,370	2,890,230	2,932,840
Intangible assets	854	958	974	781
Financial assets at fair value through other comprehensive income	12,520	16,681	—	—
Deferred income tax assets	9,954	8,238	5,612	5,509
	2,764,982	2,901,649	2,897,686	2,940,879
Current assets				
Inventories	—	—	1,514	1,822
Properties under development for sale	165,102	—	—	—
Operating lease and trade receivables and other receivables	50,846	56,526	66,164	53,020
Amounts due from related parties	17,464	536,288	94,990	9,169
Restricted cash	82,000	—	—	—
Cash and cash equivalents	61,955	22,637	11,283	68,862
	377,367	615,451	173,951	132,873
Total assets	3,142,349	3,517,100	3,071,637	3,073,752
EQUITY				
Share capital and premium	—	—	—	55,760
Other reserves	175,294	86,020	222,925	222,925
Retained earnings	987,609	1,064,519	1,253,732	1,281,906
	1,162,903	1,150,539	1,476,657	1,560,591
Non-controlling interests	355,029	366,903	(832)	(1,701)
Total equity	1,517,932	1,517,442	1,475,825	1,558,890

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	46,975	869,453	578,805	571,436
Deferred revenue	—	—	5,802	4,747
Trade and other payables	22,752	17,397	25,334	29,053
Lease liabilities	140,751	136,456	141,217	140,829
Deferred income tax liabilities	347,865	368,197	403,169	407,091
	558,343	1,391,503	1,154,327	1,153,156
Current liabilities				
Borrowings	500,857	159,389	92,659	92,909
Trade and other payables	272,584	296,571	135,752	119,765
Lease liabilities	13,846	13,395	19,285	15,403
Amounts due to related parties	125,874	1,786	56,379	5,026
Advance from customers	147,544	121,743	103,304	84,018
Contract liabilities	818	1,072	4,116	7,180
Current income tax liabilities	4,551	14,199	29,990	37,405
	1,066,074	608,155	441,485	361,706
Total liabilities	1,624,417	1,999,658	1,595,812	1,514,862
Total equity and liabilities	3,142,349	3,517,100	3,071,637	3,073,752

Inventories

As of 31 December 2016, 2017 and 2018 and 30 April 2019, we had inventories of nil, nil, RMB1.5 million and RMB1.8 million, respectively, which consist of hospitality supplies products which are ready to be sold. As at the Latest Practicable Date, RMB1.1 million or 59.4% of our inventories as at 30 April 2019 had been sold or utilised.

Property and equipment

As of 31 December 2016, 2017 and 2018 and 30 April 2019, we had property and equipment of RMB1.6 million, RMB1.4 million, RMB0.9 million and RMB1.7 million, respectively, which primarily comprised of vehicles, furniture, fittings and equipment.

Investment properties

As of 31 December 2016, 2017 and 2018 and 30 April 2019, we had investment properties of RMB2,740.1 million, RMB2,874.4 million, RMB2,890.2 million and RMB2,932.8 million, respectively. As at 31 December 2016 and 2017, investment properties with fair value of RMB142.5 million and RMB34.9 million were pledged as collateral for the related parties' borrowings respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019 investment properties with fair value of RMB1,311.7 million, RMB1,476.5 million, RMB1,440.1 million and RMB1,440.1 million were pledged as collateral for the Group's borrowings.

The investment properties are all situated in the PRC and are used primarily for the Group's operation. The fair value of our investment properties at the end of the respective periods and as of the date of the acquisition of subsidiaries were valued by AVISTA Valuation Advisory Limited, a firm of independent qualified professional valuers not connected with us.

	Year ended 31 December			As at 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Opening net book amount	2,611,670	2,740,060	2,874,370	2,874,370	2,890,230
Additions	74,714	83,384	29,863	2,681	40,285
Capitalised interests	4,508	86	170	167	181
Deemed distribution to the then shareholders of the Group (a)	—	—	(140,420)	—	—
Fair value changes	49,168	50,840	126,247	121,372	2,144
Closing net book amount (b)	2,740,060	2,874,370	2,890,230	2,998,590	2,932,840

(a) This represented investment properties owned by the Included Business of Panyu Real Estate, a company controlled by the Controlling Shareholders (please refer to note 1.2(vi) of the Accountant's Report in the Appendix I of this prospectus). As Panyu Real Estate ceased to operate the Included Business on 1 December 2018 and such business was then taken up by the Group, the assets and liabilities of the Included Business was derecognised from the Group's consolidated financial information as deemed distribution to the then shareholders. Such investment properties were leased back to the Group pursuant to a lease agreement dated 1 December 2018 under a three year term contract. The right of use asset amounting to RMB15.8 million was treated as an addition of investment properties during the year ended 31 December 2018.

(b) As at 31 December 2016 and 2017, investment properties of RMB142.5 million and RMB34.9 million were pledged as collateral for the related parties' borrowings respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019 investment properties of RMB1,311.7 million, RMB1,476.5 million, RMB1,440.1 million and RMB1,440.1 million were pledged as collateral for the Group's borrowings.

The increase in the properties on land use right certificates owned by the Group from RMB1,368.3 million as at 1 January 2016 to RMB1,467.5 million as at 31 December 2016 was primarily due to the addition amounting to RMB46.3 million for Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) and the fair value gains of RMB48.5 million primarily due to the increase in average market price from RMB6,000–14,000/sq.m. as at 1 January 2016 to RMB6,500–15,000/sq.m. as at 31 December 2016. The slight increase in the properties on the right of use assets from RMB1,243.4 million as at 1 January 2016 to RMB1,272.5 million as at 31 December 2016 was primarily due to the addition amounting to RMB 28.4 million for the Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center and the fair value gains of RMB0.7 million.

The increase in the properties on land use right certificates owned by the Group from RMB1,467.5 million as at 31 December 2016 to RMB1,594.2 million as at 31 December 2017 was primarily due to the addition amounting to RMB41.7 million for Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) and the fair value gains of RMB84.9 million primarily due to the increase in average market price from RMB6,500–15,000/sq.m. in 2016 to RMB7,500–17,500/sq.m. in 2017. The slight increase in the properties on the right of use assets from RMB1,272.5 million as at 31 December 2016 to RMB1,280.1 million as at 31 December 2017 was primarily due to the fact that the additional cost incurred for the improvement of the investment properties did not bring significant fair value upward.

The decrease in the properties on land use right certificates owned by the Group from RMB1,594.2 million as at 31 December 2017 to RMB1,468.5 million as at 31 December 2018 was primarily due to the disposal of investment properties of RMB140.4 million for the deemed distribution to the then shareholders of the Group, offset by the fair value gains of RMB10.0 million primarily due to the increase in average market price from RMB7,500–17,500/sq.m. in 2017 to RMB8,000–17,500/sq.m. in 2018. The increase in the properties on the right of use assets from RMB1,280.1 million as at 31 December 2017 to RMB1,421.8 million as at 31 December 2018 was primarily due to the addition amounting to RMB25.4 million for Xinji Shaxi Hospitality Supplies Expo Center, Xinji Hotelex Hospitality Supplies Center and Xinji Dashi Home Furnishings Center and the fair value gains of RMB116.2 million primarily due to the increase in LFA and average monthly contract rent from RMB164/sq.m. in 2017 to RMB189/sq.m. in 2018 in respect of Xinji Shaxi Hospitality Supplies Expo Center.

The properties on land use right certificates owned by the Group remained stable and amounted to RMB1,468.5 million as at 31 December 2018 and 30 April 2019 was primarily due to the fact that the additional cost incurred for the improvement of the investment properties did not bring significant fair value upward. The increase in the properties on the right of use assets from RMB1,421.8 million as at 31 December 2018 to RMB1,464.4 million as at 30 April 2019 was primarily due to the addition amounting to RMB29.0 million for Xinji Shaxi Hospitality Supplies Expo Center and Xinji Hotelex Hospitality Supplies Center and the fair value gains of RMB13.6 million was primarily due to the increase in average monthly contract rent from RMB189/sq.m. in 2018 to RMB204/sq.m. in 2019 in respect of Xinji Shaxi Hospitality Supplies Expo Center and the increase in average monthly contract rent from RMB75/sq.m. in 2018 to RMB81/sq.m. in 2019 in respect of Xinji Hotelex Hospitality Supplies Center.

A reconciliation of our investment properties as of August 31, 2019 and such property interests in our consolidated financial statements as of April 30, 2019 as required under 5.07 of the Listing Rules is set forth below:

	(RMB in million)
Net book value of properties interests as of April 30, 2019	2,933
Addition	13
Fair value changes	(32)
Valuation of properties interests as of August 31, 2019 as set out in the Property Valuation Report in Appendix III	2,914

Since the value of such investment properties interest is carried at fair value, the fair value of such property interests as of August 31, 2019 is RMB2,914 million, taking into consideration of valuation deficit of RMB32 million as of August 31 2019, primarily due to the diminishing leasing terms of existing contract.

Intangible assets

As of 31 December 2016, 2017 and 2018 and 30 April 2019, we had intangible assets of RMB0.9 million, RMB1.0 million, RMB1.0 million and RMB0.8 million, respectively.

The Group's intangible assets were mainly comprised of computer software.

Financial assets at fair value through other comprehensive income

As of 31 December 2016, 2017 and 2018 and 30 April 2019, we had financial assets at fair value through other comprehensive income of RMB12.5 million, RMB16.7 million, nil and nil, respectively. Information about the methods and assumptions used in determining fair value is provided in note 3.3. of the Accountant's Report in the Appendix I of this prospectus. None of the financial assets at fair value through other comprehensive income are either past due or impaired. All financial assets at fair value through other comprehensive income are denominated in RMB and are unlisted equity securities.

Deferred income tax assets

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had deferred income tax assets amounting to RMB10.0 million, RMB8.2 million, RMB5.6 million and RMB5.5 million. Please refer to note 29 of the Accountant's Report in the Appendix I of this prospectus for details of the movement of the deferred income tax assets.

Operating lease and trade receivables and other receivables

The table below sets forth a breakdown of our operating lease and trade receivables and other receivables as of the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group:				
Operating lease receivables	36,748	39,755	36,796	28,942
Less: allowance for impairment of operating lease receivables	(3,351)	(3,950)	(3,615)	(2,564)
Operating lease receivables — net	33,397	35,805	33,181	26,378
Trade receivables	4,236	3,740	8,824	4,500
Less: allowance for impairment of trade receivables	(286)	(418)	(797)	(564)
Trade receivables — net	3,950	3,322	8,027	3,936
Other receivables	8,666	8,549	14,070	9,099
Less: allowance for impairment of other receivables	(201)	(405)	(147)	(226)
Other receivables — net	8,465	8,144	13,923	8,873
Prepaid listing expense	—	—	3,740	5,279
Prepaid tax and other levies	2,442	1,160	1,165	969
Other prepayments	730	7,051	3,592	4,417
Input VAT available for future deduction	1,386	1,044	2,536	3,168
Interest receivables	476	—	—	—
	50,846	56,526	66,164	53,020
The Company:				
Prepaid listing expense	—	—	3,740	5,279

Our operating lease receivables primarily represented the outstanding amount of rent to be paid by our Group's tenants according to the relevant accounting principles. As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had operating lease receivables amounting to RMB36.7 million, RMB39.8 million, RMB36.8 million and RMB28.9 million, respectively.

Our trade receivables primarily represented the outstanding amount of management service fee and online sales goods to be paid by our tenants and customers respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had trade receivables amounting to

RMB4.2 million, RMB3.7 million, RMB8.8 million and RMB4.5 million, respectively. The increase of trade receivables from 31 December 2017 to 31 December 2018 was because in April 2018, our Group further acquired 42% equity interest in Guangzhou Xinji Dajing and Guangzhou Xinji Dajing subsequently became a subsidiary of our Group. The trade receivables arose from sales of goods was brought by the Online Shopping Mall which Guangzhou Xinji Dajing set up with 北京京東世紀貿易 in September 2017. Our trade receivable decreased to RMB4.5 million for the four months ended 30 April 2019 mainly due to the decrease of approximately RMB 2.0 million of the receivables related to the sales of goods brought by the Online Shopping Mall and RMB 2.0 million of receivables related to the management fee.

Our other receivables primarily represented security deposits paid to the PRC government in relation to the use of land in Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang) and the injection of capital from investors. As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had other receivables amounting to RMB8.7 million, RMB8.5 million, RMB14.1 million and RMB9.1 million, respectively. The increase of other receivables from the year ended 31 December 2017 to the year ended 31 December 2018 were mainly because in 2018, Dragon Richly International Investment Limited agreed to inject capital of RMB4.9 million to Guangzhou Shaxi Hotel which would only be due after 2018. Our other receivables decreased to RMB9.1 million for the four months ended 30 April 2019 as the Group has received the abovementioned RMB 4.9 million from Dragon Richly International Investment Limited.

The other prepayment primarily represented the prepayment to professional parties in relation to the listing of our Group.

Input VAT available for future deduction is the tax deduction according to PRC law.

Operating lease receivables represented the outstanding amount of rental income receivables calculated based on the relevant accounting principles. As at the Latest Practicable Date, RMB27.4 million, or 94.7% of our operating lease receivables outstanding as at 30 April 2019 had been subsequently settled.

Our trade receivables primarily represented the outstanding amount of management service fee and online sales goods receivables based on the relevant accounting principles. As at the Latest Practicable Date, RMB4.0 million, or 89.0% of our trade receivables outstanding as at 30 April 2019 had been subsequently settled.

The aging analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	4,236	3,740	8,824	4,500

Trade and operating leases receivables turnover days

For illustration purpose, the following table sets forth our trade and operating lease receivables turnover days during the Track Record Period:

	For the year ended 31 December			As at 30 April
	2016	2017	2018	2019
Trade and operating lease receivables turnover days *(Note)*	52.0	73.5	57.8	51.5

Note: Trade and operating leases receivables turnover days is calculated based on the average of the beginning and ending balance of trade and operating lease receivables divided by revenue during the period, then multiplied by the number of days of the period (i.e. 365 days for a full year, 120 days for the four months ended 30 April 2019).

The credit period that we granted to our customers is ranged from 15 days to 3 years from the invoice date. Our trade and operating lease receivables turnover days were approximately 52.0 days, 73.5 days, 57.8 days and 51.5 days for the year ended 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Such fluctuation was mainly due to the fluctuation of the amounts settled by different tenants to us due to the different settlement practices of different malls as well as different rent-free periods granted by us.

Amounts due from related parties

Please refer to the paragraph headed "Related Party Transactions" in this section for further information.

Restricted cash

As at 31 December 2016, we had restricted cash of RMB82.0 million. Restricted cash balance represented deposit placed in a bank as a collateral for the bank borrowings.

Cash and cash equivalents

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had cash and cash equivalents in the amount of RMB62.0 million, RMB22.6 million, RMB11.3 million and RMB68.9 million, respectively. The decrease in cash and cash equivalents in year ended 31 December 2016 to 31 December 2017 was primarily due to the consideration paid for Shenyang Xinji Industrial as part of the Reorganisation, cash advance to related parties of RMB491.7 million partially offset by the net proceeds from borrowings from bank of RMB471.8 million. The decrease in cash and cash equivalents in year ended 31 December 2017 to 31 December 2018 was primarily due to the payment to contractors in construction in Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang), and net repayments of borrowings of RMB358.8 million. The increase in cash and cash equivalents as at 31 December 2018 to 30 April 2019 was primarily due to capital injection by our Pre-IPO investor amounted to RMB55.8 million. For further details, please refer to the section headed "History, Corporate Structure and Reorganisation — Pre-IPO Investment" in this prospectus.

Borrowings

Please refer to the paragraph headed "Indebtedness" in this section for further information.

Deferred revenue

As at 31 December 2018, we had deferred revenue of RMB5.8 million, representing the compensation for demolition paid by the PRC government to the Group which was recognised to revenue over 30 months since May 2018.

Our deferred revenue further decreased to RMB4.7 million as at 30 April 2019.

Trade and other payables and lease liabilities

(i) Trade and other payables

The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,150	495	3,121	1,410
Construction contract payables	205,201	243,361	64,880	81,535
Salary payables	4,888	8,932	10,992	10,379
Other tax liabilities	6,812	1,341	1,491	1,026
Deposits from tenants	34,177	38,401	40,745	41,780
Payable for acquisition of non-controlling interests (a)	—	—	22,439	—
Other payables	43,108	21,438	17,418	12,688
	295,336	313,968	161,086	148,818
Less: non-current portion				
Deposits from tenants	(22,752)	(17,397)	(25,334)	(29,053)
Current portion	272,584	296,571	135,752	119,765

(a) Amounts represented payable for acquisition of an additional 28.1% equity interests in Guangzhou Shaxi Hotel from the non-controlling shareholders (note (34)).

At 31 December 2016, 2017, 2018 and 30 April 2019, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	84,986	55,558	24,020	49,384
Over 1 year	121,365	188,298	43,981	33,561
	206,351	243,856	68,001	82,945

(ii) Lease liabilities

	As at 31 December			As at 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Balance at beginning of the year/period	158,426	154,597	149,851	149,851	160,502
Additions	—	—	15,802	—	1,028
Leasing finance expenses recognized	9,792	9,556	9,179	3,073	3,267
Settlement of lease liabilities	(13,621)	(14,302)	(14,330)	(1,631)	(8,565)
	154,597	149,851	160,502	151,293	156,232
Less: non-current portion	(140,751)	(136,456)	(141,217)	(134,821)	(140,829)
Current portion of lease liabilities	13,846	13,395	19,285	16,472	15,403

Our trade payables primarily consists of payables to our hospitality supplies and home furnishing providers. The increase in trade payables in year ended 31 December 2017 to 31 December 2018 was because in April 2018, our Group further acquired 42% equity interest in Guangzhou Xinji Dajing and Guangzhou Xinji Dajing subsequently became a subsidiary of our Group. The sales of goods and thus trade payables were brought by the Online Shopping Mall which Guangzhou Xinji Dajing set up with 北京京東世紀貿易 in September 2017. Our trade payables decreased to RMB1.4 million as at 30 April 2019 primarily due to the payment made by Guangzhou Xinji Dajing to the hospitality supplies and home furnishing providers for the previous payables.

As at the Latest Practicable Date, RMB1.2 million, or 83.5% of our trade payables outstanding as at 30 April 2019 had been subsequently settled.

Our construction contract payables decreased from RMB243.4 million as at 31 December 2017 to RMB64.9 million as at 31 December 2018 was primarily due to the Group repaid a major amount of payable to its contractors for construction works of shopping malls for changing the public area into rental area in Xinji Shaxi Hospitality Supplies Expo Center because of the development of the Guangzhou Shaxi metro station and the construction costs in Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang) and Xinji Shaxi Home Furnishing Expo Centre (Shenyang). Our construction contract payables further increased to RMB81.5 million as at 30 April 2019 primarily due to the construction costs of (i) approximately RMB 7 million of fire service facilities and approximately RMB 9 million of fitting out works and cable construction works in Xinji Shaxi Hospitality Supplies Expo Centre; and (ii) approximately RMB 4 million of fire service facilities and approximately RMB 5 million of fitting out works and cable construction works in Xinji Hotelex Hospitality Supplies Centre; partially offset by the payment of approximately RMB 9 million of the construction costs by the Group.

As at the Latest Practicable Date, RMB26.0 million, or 31.8% of our construction payables outstanding as at 30 April 2019 had been subsequently settled.

Salary payables increased from RMB4.9 million as at 31 December 2016 to RMB8.9 million as at 31 December 2017 and subsequently increased to RMB11.0 million as at 31 December 2018 was primarily due to the increase of social security contribution accrued. Our salary payables slightly decreased to RMB10.4 million as at 30 April 2019 primarily due to the payment of year-end-bonus for the year ended 31 December 2018 by the Group.

Other payables, representing our marketing and advertising payables and earnest money, decreased from RMB43.1 million as at 31 December 2016 to RMB21.4 million as at 31 December 2017, such decrease was primarily due to the decrease in repayment of advertising fee by our Group. Our other payables further decreased to RMB12.7 million as at 30 April 2019 primarily due to the payment by Guangzhou Xinji to Guangzhou Huiqun and Guangzhou Fupin for acquiring the 18.7% and 9.4% of the shareholding interest in Guangzhou Shaxi Hotel as agreed on 25 December 2018. For further details, please refer to the section headed "History, Corporate Structure and Reorganisation — Major Reorganisation Steps".

Deferred income tax liability

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had deferred income tax liabilities in the amount of RMB347.9 million, RMB368.2 million, RMB403.2 million and RMB407.1 million, respectively. Please refer to note 29 of the Accountant's Report in the Appendix I of this prospectus.

Amounts due to related parties

Please refer to the paragraph headed ‘‘Related Party Transactions’’ in this section for further information.

Advance from customers

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had advances from customers in the amount of RMB147.5 million, RMB121.7 million, RMB103.3 million and RMB84.0 million, respectively. Our Group received payments from leases based on billing schedules as established in the leasing contracts. Payments received in advance of rental service provided are categorized as advance from customers. For the year ended 31 December 2016, Xinji Shaxi Hospitality Supplies Expo Center also had a policy where customers who paid their rental expenses in 2016 could enjoy two months rent-free period for the year ended 31 December 2017. Therefore, advance from customers as at 31 December 2017 and 2018 were lower than that as at 31 December 2016.

Current income tax liability

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had current income tax liability in the amount of RMB4.6 million, RMB14.2 million, RMB30.0 million and RMB37.4 million, respectively. The progressive increase was primarily due to increased profit before tax.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal sources of funds have been cash generated from operations and bank borrowings. Our primary uses of funds have been purchases of investment properties and repayments to related parties and repayments of borrowings and interest paid.

We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed ‘‘Future Plans and Use of Proceeds’’ in this prospectus and that no further repayment for related parties would be made after 2019.

Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future capital expenditures.

Cash Flows

The following table sets out selected cash flow data from our consolidated statements of cash flows for the years ended 31 December 2016, 2017 and 2018 and for four months ended 30 April 2018 and 2019.

Consolidated Statements of Cash Flows

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	*30*	194,579	69,917	240,367	93,088	46,418
Income tax paid		(13,006)	(13,264)	(24,469)	(5,190)	(5,781)
Interest received		52	1,681	34	9	42
Interest paid		(34,071)	(46,213)	(68,540)	(21,733)	(17,081)
Net cash generated from operating activities		147,554	12,121	147,392	66,174	23,598
Cash flows from investing activities						
Payments for acquisition of subsidiaries, net of cash acquired	*34*	—	—	(654)	—	—
Proceeds from disposal of subsidiaries	*30*	—	—	7,300	7,300	—
Payments for investment properties		(32,632)	(45,224)	(193,872)	(123,998)	(23,630)
Payments for purchase of property, plant and equipment		(191)	(712)	(51)	(11)	(95)
Payments for purchase of intangible assets		(775)	(427)	(433)	—	(29)
Proceeds from disposal of property, plant and equipment		—	—	241	—	—
Repayment from related parties		902	862	485,079	20,217	18,154
Cash advance to related parties		(10,395)	(491,716)	(7,842)	(2,778)	(466)
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	15,000	—	—
Dividend received		1,650	1,275	1,275	—	—
Net cash (used in)/generated from investing activities		(41,441)	(535,942)	306,043	(99,270)	(6,066)

	Note	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (Unaudited)	2019 RMB'000
Cash flows from financing activities						
Proceeds from borrowings		230,440	1,006,320	106,930	56,930	—
Repayments of borrowings		(289,109)	(534,558)	(465,772)	(38,947)	(8,380)
Capital injection by a Pre-IPO investor		—	—	—	—	55,760
Capital injection from non-controlling interests		—	—	—	—	4,900
Payments for listing related expenses		—	—	(3,740)	(1,154)	(1,539)
Cash advance from related parties		147,993	135,101	3,982	3,100	16,780
Repayment to related parties		(40,617)	(112,858)	(1,732)	—	—
Contribution from the then shareholders of the Group	24	—	40,800	—	—	—
Deemed distributions to the then shareholders of the Group	24	—	(118,000)	(88,808)	(2,000)	—
Changes in ownership interests in subsidiaries without change of control	34	—	—	(1,319)	—	(22,439)
Settlement of lease liabilities		(13,621)	(14,302)	(14,330)	(1,631)	(5,298)
Restricted cash pledged for bank borrowings		(82,000)	82,000	—	—	—
Net cash (used in)/generated from financing activities		(46,914)	484,503	(464,789)	16,298	39,784
Net increase/(decrease) in cash and cash equivalents		59,199	(39,318)	(11,354)	(16,798)	57,316
Cash and cash equivalents at beginning of year/period		2,756	61,955	22,637	22,637	11,283
Exchange gain on cash and cash equivalents		—	—	—	—	263
Cash and cash equivalents at end of year/period		61,955	22,637	11,283	5,839	68,862

Net cash from operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the profit for the year. Our cash outflow used in operating activities was principally used for payment of other operating expenses.

Net cash inflows from operating activities amounted to RMB147.6 million for the year ended 31 December 2016, consisting primarily of RMB194.6 million of cash generated from operation after changes in working capital partially offset by the income tax payment of approximately RMB13.0 million and interest paid of RMB34.1 million. The positive changes in working capital was primarily reflecting the increase in advances from customers amounted to RMB97.8 million as we offered upfront payment discount to our tenants, partially offset by the increase in cash payment for properties under development amounted to RMB8.5 million.

Net cash inflows from operating activities amounted to RMB12.1 million for the year ended 31 December 2017, consisting primarily of RMB69.9 million of cash generated from operation after changes in working capital partially offset by the income tax payment of RMB13.3 million and interest paid of RMB46.2 million. The negative changes in working capital was primarily reflecting (i) the decrease in trade and other payables amounted to RMB19.7 million; (ii) the increase in operating lease and trade receivables and other receivables amounted to RMB9.5 million; and (iii) the decrease in advances from customers amounted to RMB25.8 million.

Net cash inflows from operating activities amounted to RMB147.4 million for the year ended 31 December 2018 consisting primary of RMB240.4 million of cash generated from operation after change in working capital partially offset by the income tax payment of RMB24.5 million and interest paid of RMB68.5 million. The negative changes in working capital was primarily reflecting (i) the increase in operating lease and trade receivables and other receivables amounted to RMB11.1 million; (ii) the decrease in advances from customers amounted to RMB17.9 million, offset by the increase in trade and other payable amounted to RMB8.5 million.

Net cash inflows from operating activities amounted to RMB23.6 million for the four months ended 30 April 2019 consisting primary of RMB46.4 million of cash generated from operation after change in working capital partially offset by the income tax payment of RMB5.8 million and interest paid of RMB17.1 million. The negative changes in working capital was primarily reflecting (i) the decrease in trade and other receivables amounted to RMB7.5 million; (ii) the decrease in advances from customers amounted to RMB19.3 million, partially offset by the decrease in operating lease and trade receivables and other receivables amounted to RMB9.4 million.

Cash flows from investing activities

For the year ended 31 December 2016, we recorded net cash flow used in investing activities of approximately RMB41.4 million, as a result of payment for purchase of investment properties in Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang) of RMB32.6 million and cash advance to related parties of RMB10.4 million.

For the year ended 31 December 2017, we recorded net cash flow used in investing activities of RMB535.9 million, as a primary result of cash advanced to related parties of RMB491.7 million.

For the year ended 31 December 2018, we recorded net cash flow generated from investing activities of RMB306.0 million, as a result of repayment from related parties of RMB485.1 million, which was partially offset by the purchase of investment properties of RMB193.9 million in Xinji Shaxi Hospitality Supplies Expo Center, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang).

For the four months ended 30 April 2019, we recorded net cash flow used in investing activities of RMB6.1 million, as a result payments for investment properties of RMB23.6 million, which was partially offset by repayment from related parties of RMB18.2 million.

Cash flows from financing activities

For the year ended 31 December 2016, we recorded net cash used in financing activities of approximately RMB46.9 million, primarily reflecting the repayment of borrowings of RMB289.1 million, partially offset by the proceeds from borrowing of RMB230.4 million.

For the year ended 31 December 2017, we recorded net cash generated from financing activities of approximately RMB484.5 million, primarily reflecting the proceeds of borrowing of RMB1,006.3 million, partially offset by repayment of borrowings of RMB534.6 million.

For the year ended 31 December 2018, we recorded net cash used in financing activities of approximately RMB464.8 million, primarily reflecting the repayment of borrowings of RMB465.8 million, and cash consideration paid to the Controlling Shareholders for the Group's subsidaries of RMB88.8 million as part of Reorganisation, partially offset by the proceeds from borrowing of RMB106.9 million.

For the four months ended 30 April 2019, we recorded net cash generated from financing activities of approximately RMB39.8 million, primarily reflecting the capital injection by the Pre-IPO Investor of RMB55.8 million and cash advance from related parties of RMB16.8 million, partially offset by payment by Guangzhou Xinji to Guangzhou Huiqun and Guangzhou Fupin for acquiring the 18.7% and 9.4% of the shareholding interest in Guangzhou Shaixi Hotel as agreed on 25 December 2018 of RMB22.4 million. For further details, please refer to the section headed "History, Corporate Structure and Reorganisation — Major Reorganisation Steps".

CAPITAL EXPENDITURE

We had capital expenditure of RMB75.7 million, RMB84.5 million, RMB30.3 million and RMB41.4 million, primarily representing additions to our investment properties, intangible assets and property and equipment, as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The capital expenditure primarily represents the capital expenditure for the construction of the premises in Xinji Shaxi Hospitality Supplies Expo Center, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang).

Planned capital expenditure

Our planned expenditure in the coming year will include repayment of our bank borrowings for the construction cost and sales and marketing costs for our shopping malls and project development of three new shopping malls located in Chengdu, Southern China and Central China to strengthen our presence in the industry in PRC as disclosed in the section headed "Future plans and use of proceeds" in this prospectus. Our Directors expect that the planned capital expenditure will be funded by proceeds from the Global Offering. Our capital expenditure for the years ending 31 December 2019 and 2020 is expected to be amounted to approximately RMB72.4 million and RMB82.4 million, respectively.

Commitments

(a) Capital commitments

Capital expenditure contracted but not yet incurred is as follows:

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties	32,475	1,045	4,865	3,159

(b) Operating lease commitments — Group as lessor

The Group is a lessor when the Group leases out property under long-term leases arrangements, which is non-cancellable operating lease agreements. The lease terms are mainly from 1 to 5 years and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum operating lease receivables under non-cancellable operating leases are as follows:

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	157,154	109,594	224,531	206,234
1 — 2 years	86,132	69,743	186,009	171,409
2 — 3 years	54,168	38,033	137,787	114,951
3 — 4 years	26,557	11,561	26,905	20,116
4 — 5 years	10,834	2,570	683	525
Over 5 years	9,890	6,712	2,279	1,260
	344,735	238,213	578,194	514,495

Working Capital

The table below sets forth the details of our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Current assets					
Inventories	—	—	1,514	1,822	1,412
Properties under development for sale	165,102	—	—	—	—
Operating lease and trade receivables and other receivables	50,846	56,526	66,164	53,020	52,843
Amounts due from related parties	17,464	536,288	94,990	9,169	1,779
Restricted cash	82,000	—	—	—	529
Cash and cash equivalents	61,955	22,637	11,283	68,862	57,751
	377,367	615,451	173,951	132,873	114,314
Current liabilities					
Borrowings	500,857	159,389	92,659	92,909	133,272
Trade and other payables	272,584	296,571	135,752	119,765	115,281
Lease liabilities	13,846	13,395	19,285	15,403	15,654
Amounts due to related parties	125,874	1,786	56,379	5,026	2,696
Advance from customers	147,544	121,743	103,304	84,018	74,568
Contract liabilities	818	1,072	4,116	7,180	6,856
Current income tax liabilities	4,551	14,199	29,990	37,405	27,869
	1,066,074	608,155	441,485	361,706	376,196
Net Current (Liabilities)/Assets	(688,707)	7,296	(267,534)	(228,833)	(261,882)

We recorded net current liabilities of RMB688.7 million, RMB267.5 million and RMB228.8 million as at 31 December 2016 and 2018 and 30 April 2019, respectively, and net current assets of RMB7.3 million as at 31 December 2017. The change from a position of net current liabilities as of 31 December 2016 to a position of net current assets as of 31 December 2017 was mainly due to the increase in amounts due from related parties coupled with the decrease in bank borrowing and amount due to related parties. The subsequent change from a position of net current assets as of 31 December 2017 to a position of net current liabilities as of 31 December 2018 was mainly due to the decrease in amounts due from related parties and the increase in amounts due to related parties, partially offset by the decrease in borrowings and trade and other payables. Our net current liabilities decreased to RMB228.8 million as of 30 April 2019 was mainly due to (i) decrease in amounts due to related parties; and (ii) decrease in advance from customers.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity position and financial performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. A number of measures have been put in place by the directors of the Company to further improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk:

(a) As at 31 August 2019, the Group had unutilized financing facilities of RMB400.0 million which can be used to cover any shortfall liquidity in the next twelve months.

(b) No future cash outflow is expected from advance from customers and contract liabilities which were included in the Group's current liabilities;

(c) Management has become more cost conscious and is reducing unnecessary expenditures to improve its operating cash flows.

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from the date of this prospectus. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the date of this prospectus. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of the Group's financing facilities. The Group's ability to achieve the projected cash flows depends on the Group's management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of banking facilities from its banks. The Directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the operational performance and the availability of the financing facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the date of this prospectus. Accordingly, the historical financial information has been prepared on a going concern basis.

INDEBTEDNESS

Our short-term and long-term borrowings are primarily in the form of bank loans and other borrowings. We finance a significant portion of our business operations and capital expenditures with borrowings obtained from commercial banks and non-bank institutions in PRC. In view of our creditworthiness and the current availability of funds in PRC, we believe that we are able to continue to obtain sufficient financing from PRC financial institutions.

The table below sets forth our bank and other borrowings as of the balance sheet dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Borrowings included in non-current liabilities:					
Bank borrowings — Secured *(Note(b))*	114,707	988,842	671,464	664,345	637,181
Other borrowings — Secured *(Note(a))*	212,785	—	—	—	—
	327,492	988,842	671,464	664,345	637,181
Less: current portion of non-current borrowings	(280,517)	(119,389)	(92,659)	(92,909)	(133,272)
	46,975	869,453	578,805	571,436	503,909
Borrowings included in current liabilities:					
Bank borrowings — Secured *(Note(b))*	220,340	40,000	—	—	—
Current portion of non-current borrowings	280,517	119,389	92,659	92,909	133,272
— Bank borrowings *(Note(b))*	67,732	119,389	92,659	92,909	133,272
— Other borrowings *(Note(a))*	212,785	—	—	—	—
	500,857	159,389	92,659	92,909	133,272
Total borrowings	547,832	1,028,842	671,464	664,345	637,181

(a) As at 31 December 2016, borrowings of RMB212.8 million were borrowed from non-banking financial institutions with interest rate ranging from 9.1% to 10.1% per annum, and secured by pledging of the future right of receiving rental from lease agreements and investment properties of the Group and the land use rights of related parties.

(b) As at 31 December 2016, 2017 and 2018 and 30 April 2019, borrowings of RMB335.0 million, RMB1,028.8 million, RMB671.5 million and RMB664.3 million were borrowed from the bank with interest rate ranging from 6.03% to 8.27% per annum and secured by investment properties and restricted cash of the Group.

As at 31 December 2016, 2017, and 2018 and 30 April 2019, borrowings of RMB473.9 million, RMB1,028.8 million, RMB170.0 million and nil were guaranteed by related parties.

(c) The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
6 months or less	117,492	988,842	671,464	61,913	32,041
6 — 12 months	430,340	40,000	—	602,432	605,140
	547,832	1,028,842	671,464	664,345	637,181

The maturity of the borrowings is as follows:

	As at 31 December 2016		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	288,072	212,785	500,857
1 — 2 years	45,139	—	45,139
2 — 5 years	1,836	—	1,836
	335,047	212,785	547,832

	As at 31 December 2017		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	159,389	—	159,389
1 — 2 years	123,627	—	123,627
2 — 5 years	359,878	—	359,878
Over 5 years	385,948	—	385,948
	1,028,842	—	1,028,842

	As at 31 December 2018		
	Bank borrowings	Other borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	92,659	—	92,659
1–2 years	112,584	—	112,584
2–5 years	237,039	—	237,039
Over 5 years	229,182	—	229,182
	671,464	—	671,464

	As at 30 April 2019		
	Bank borrowings	Other borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	92,909	—	92,909
1–2 years	113,069	—	113,069
2–5 years	238,687	—	238,687
Over 5 years	219,680	—	219,680
	664,345	—	664,345

	As at 31 August 2019		
	Bank borrowings	Other borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Within 1 year	133,272	—	133,272
Between 1 and 2 years	113,562	—	113,562
Between 2 and 5 years	210,372	—	210,372
Over 5 years	179,975	—	179,975
	637,181	—	637,181

The weighted average effective interest rates of borrowings are as follows:

	For the year ended 31 December 2016	2017	2018	Four months ended 30 April 2019
Bank borrowings	6.56%	6.03%	7.15%	6.80%
Other borrowings	9.06%	10.05%	—	—
	7.64%	6.92%	7.15%	6.80%

(d) The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As of 31 December 2016, 2017 and 2018 and 30 April 2019, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

(e) The Group has the following undrawn borrowing facilities:

	As at 31 December 2016	2017	2018	As at 30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At floating rates:				
— expiring within one year	174,100	—	—	—
— expiring beyond one year	7,500	171,180	400,000	400,000
	181,600	171,180	400,000	400,000

Certain of our banking facilities contain a number of customary affirmative and/or negative covenants. For example, certain of our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our banking facilities also contain cross default provisions. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been in breach of any material covenants in this respect.

Contingent liabilities

As at the 31 August 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Lease liabilities

As at 31 December 2016, 2017, and 2018, 30 April 2019 and 31 August 2019, we had lease liabilities of RMB154.6 million, RMB149.9 million, RMB160.5 million, RMB156.2 million and RMB159.0 million, respectively.

STATEMENT OF INDEBTEDNESS

Save as disclosed in the paragraph headed "Indebtedness", and apart from intra-group liabilities, as at 31 August 2019, being the latest practicable date for the purpose of indebtedness statement, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third-parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

A summary of the Group's related parties during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 is set out in note 33 of the Accountant's Report in Appendix I of this prospectus.

Our transactions with related parties mainly consist of interest income from a related party, purchasing goods from related parties, rental fee charged by related parties and rental service income from related parties. The above services were conducted according to the agreed terms between relevant related parties and the Group. For more details, see the section "Connected Transactions" in this prospectus.

The table below sets forth our transactions with related parties for the year ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019:

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019:

Name	Relationship
Mr. Cheung, Mr. Mei and Mr. Zhang	Controlling Shareholders
Xinji Group Co., Ltd.	A company controlled by Controlling Shareholders
Guangdong Yingbin Investment Management Co., Ltd	A company controlled by Controlling Shareholders
Guangzhou Maojia Trading Co., Ltd	A company controlled by Controlling Shareholders
Guangzhou Kwairan Furniture Co., Ltd	A company controlled by Controlling Shareholders
Guangzhou Xinji Property Management Co., Ltd.	A company controlled by Controlling Shareholders
Foshan Xinji Square Operating Management Co., Ltd	A company controlled by Controlling Shareholders
Foshan Xinji Bainian Real Estate Co., Ltd	A company controlled by Controlling Shareholders
Xianghe Xinji Real Estate Development Co., Ltd.	A company controlled by Controlling Shareholders
Guangzhou Xinji Real Estate Development Co., Ltd.	A company controlled by Controlling Shareholders
Guangzhou Panyu Dashi Fuli Furniture Plaza Co., Ltd.	A company controlled by Controlling Shareholders
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	A company controlled by Controlling Shareholders
Guangdong Xinji International Trading Co., Ltd	A company controlled by Controlling Shareholders
Mr. Li Zhanpeng	Non executive Director
Liaoning Xinji Hongxing Commercial Real Estate Development Co., Ltd	An associate of Controlling Shareholders

(b) Transactions with related parties

In addition to those disclosed elsewhere in this prospectus, the following transactions were carried out with related parties:

Interest income from a related party:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Xinji Group Co., Ltd.	—	27,969	40,164	16,402	—

Purchase of goods from related party:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangdong Xinji International Trading Co., Ltd	—	—	1,412	—	568

Sales of goods to related party:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	—	148

Rental fee charged by related parties:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangdong Yingbin Investment Management Co., Ltd	149	155	155	52	—

Rental service income from related parties:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangzhou Maojia Trading Co., Ltd	195	195	193	64	—
Guangzhou Kwairan Furniture Co., Ltd	775	775	768	256	—
	970	970	961	320	—

The above services were conducted according to the agreed terms between relevant related parties and the Group.

(c) Key management personnel compensations

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	175	1,416	2,565	707	932
Pension costs — defined contribution plans	—	32	65	18	28
	175	1,448	2,630	725	960

(d) Balances with related parties

(i) Amounts due from related parties:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Group Co., Ltd.	17,462	532,347	86,123	—
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	—	—	7,932	7,578
Mr. Cheung	—	—	472	707
Mr. Mei	—	—	300	461
Mr. Zhang	—	—	163	244
Liaoning Xinji Hongxing Commercial Real Estate Development Co.,Ltd	—	3,697	—	—
Mr. Li Zhanpeng	—	244	—	—
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	178
Others	2	—	—	1
	17,464	536,288	94,990	9,169

All amounts due from related parties will be settled before Listing of our Company.

As at 31 December 2017 and 2018, the Group made a loan to Xinji Group Co., Ltd ("**Xinji Company**") amounting to RMB452.5 million and RMB17.6 million, respectively pursuant to the loan facility agreement entered into between Guangzhou Shaxi Hotel and Xinji Company on 1 January 2017 (the "**Loan Facility Agreement**"). Such loan are unsecured, repayable on demand and bore interest at 9.42% per annum.

Before the Reorganisation of our Group, in order to maintain the efficacy of capital utilisation, Xinji Company was designated as the clearing centre within our Group. The capital of all subsidiaries was collected to Xinji Company which then allocated the capital to each subsidiary according to their respective need. This resulted in fund flow among the subsidiaries. In order to ensure the fairness of such fund flow, the clearing process was based on the market borrowing cost as permitted by laws. Upon completion of the Reorganisation, the Company has already settled all the related party balances. To prepare itself for Listing, internal control measures have been implemented to prevent capital flow between our Group and connected parties.

Our PRC Legal Advisers are of the view that the possibility that penalties will be imposed on Guangzhou Shaxi Hotel by the People's Bank of China or its subsidiaries as a result of the above-mentioned lending between enterprises with Xinji Company is remote based on the following reasons: (i) according to the written confirmation issued by

Guangzhou Shaxi Hotel on 22 August 2019, all loan facilities under the Loan Facility Agreement have been fully repaid by Xinji Company on 28 February 2019; (ii) as confirmed by the Company, the Loan Facility Agreement does not fall in the circumstances as stipulated in Article 52 of the Contract Law of the PRC and Article 14 of 《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》, and the loan facilities provided are for the purpose of fulfilling the production and operation needs of Xinji Company; (iii) as at 27 August 2019, there was no evidence on the "Administrative Penalties Notice" of the People's Bank of China website showing that Guangzhou Shaxi Hotel is subject to any administrative penalties; (iv) based on the Company's confirmation that it has not been the subject of any investigation by the People's Bank of China or its subsidiaries; and (v) the Company is not aware of any objections from third parties with respect to the Loan Facility Agreement or the relevant loan facilities arising under the Loan Facility Agreement.

All other balance due from related parties are unsecured, interest-free and repayable on demand.

(ii) Amounts due to related parties:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Group Co., Ltd.	124,422	—	—	—
Mr. Li Zhanpeng	1,088	1,700	—	—
Guangzhou Xinji Property Management Co., Ltd.	155	58	—	79
Guangdong Yingbin Investment Management Co., Ltd.	1	—	—	—
Mr. Cheung	102	—	21,555	—
Mr. Zhang	93	—	9,235	—
Guangzhou Xinji Real Estate Development Co., Ltd.	13	13	—	—
Guangzhou Panyu Dashi Fuli Furniture Plaza Co., Ltd.	—	15	—	—
Mr. Mei	—	—	24,158	2,605
Guangdong Xinji International Trading Co.,Ltd	—	—	1,412	2,302
Others	—	—	19	40
	125,874	1,786	56,379	5,026

All balances due to related companies are unsecured, interest-free, repayable on demand and will be settled before Listing of our Company.

(iii) Lease Liabilities:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	686
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	—	—	15,180	9,962
	—	—	15,180	10,648

(e) Guarantees

(i) Guarantees provided to the Group from related party in respect of the Group's borrowings:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Group Co., Ltd.	—	190,000	170,000	—
Xinji Group Co., Ltd., Mr. Cheung	100,000	—	—	—
Guangzhou Xinji Property Management Co., Ltd, Mr. Zhang and Mr. Li Zhanpeng	43,078	49,512	—	—
Guangzhou Xinji Real Estate Development Co, Ltd., Mr. Cheung and Mr. Mei	12,950	—	—	—
Guangzhou Xinji Real Estate Development Co., Ltd., Mr. Zhang and Mr. Mei	97,837	63,816	—	—
Guangzhou Xinji Real Estate Development Co., Ltd, Xinji Group Co., Ltd, Xianghe Xinji Real Estate Development Co., Ltd, Foshan Xinji Bainian Real Estate Co., Ltd	220,000	—	—	—
Guangzhou Xinji Real Estate Development Co., Ltd, Xinji Group Co.,Ltd, Guangdong Yingbin Investment Management Co., Ltd, Guangzhou Xinji Property Management Co., Ltd., Foshan Xinji Bainian Real Estate Co., Ltd, Mr. Cheung, Mr. Mei and Mr. Zhang	—	725,514	—	—
	473,865	1,028,842	170,000	—

(ii) Guarantees provided by the Group to related parties in respect of the borrowings of the related parties:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangdong Yingbin Investment Management Co., Ltd	113,623	10,000	—	—
Foshan Xinji Square Operating Management Co., Ltd	200,000	200,000	—	—
	313,623	210,000	—	—

For details of guarantees provided by related parties, see "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders and their Respective Close Associates — Financial Independence".

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and 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 of the Company.

Market risk

Foreign exchange risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than RMB, except that as at 30 April 2019, the Group has bank balance of RMB41,704,000 denominated in HK$. If RMB had strengthened/weakened by 2% against HK$, the net profit of the Group for the four months ended 30 April 2019 would have been approximately RMB626,000 lower/higher.

Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from borrowings with variable rates. Borrowings at floating rates expose the Group to cash flow interest rate risk and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

At 31 December 2016, 2017, 2018 and 30 April 2019, if interest rates on borrowings at variable rates had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the relevant year/period then ended would have been RMB3.3 million, RMB9.9 million, RMB6.7 million and RMB2.2 million lower/higher, mainly as a result of more/less interest expenses at variable rates.

Credit risk

Our Group's credit risk is primarily attributable to cash at banks, operating lease and trade receivables and other receivables.

The carrying amounts of deposits placed with banks and receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage the credit risk, bank deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

Operating lease and trade receivables arising from the Group's long-term lease arrangements are recorded as part of the Group's operating lease and trade receivables in the consolidated balance sheet. Lease arrangements are normally entered into with customers with proper credit history. Different credit assessment procedures including background search and obtaining credit reports issued by independent credit information service providers are conducted by the Group, where applicable. The Group normally requires the lessee to place certain amount of deposit at the inception of the lease arrangement as guarantee for the timely performance of the lessee over the lease term. Additional guarantee may be required for certain customers with poor credit history when necessary. In the event of late payment, the Group is entitled to charge interest or penalty at the default rate on any part of lease rental not paid when due until the same shall be paid. In the circumstances when the lessee fails to perform under the lease contract, the Group is able to cancel the lease contract. The directors of the Company believe the credit risk of the Group's lease receivables are properly managed.

The Group measures the loss allowance provision of operating lease receivables according to the amount of expected credit losses equivalent to the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

The expected loss rate of operating lease receivables is calculated based on the historical actual credit losses, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period. Due to the following reasons, the expected credit loss rate was considered to be unchanged for the three years ended 31 December 2018.

(i) The hospitality and home supplies industry in China was relatively stable during the Track Record Period and is expected to follow the steady growth of China's macro economy and tourism industry.

(ii) Throughout the Track Record Period, the Group had three shopping malls for hospitality supplies and two shopping malls for home supplies located in Guangzhou and Shenyang in China. The Group did not launch a new shopping malls or close an existing shopping mall and the customer base remained stable during the three years ended 31 December 2018.

There is no significant concentration of the Group's credit losses as no individual balance of operating lease receivables exceeding 10% of the Group's total operating lease receivables as at 31 December 2016, 2017, 2018 and 30 April 2019. During the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, no revenue from a single customer accounted for more than 10% of the Group's total revenue.

For other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial liabilities and lease liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016					
Borrowings (including interests)	527,361	46,582	1,843	—	575,786
Amounts due to related parties	125,874	—	—	—	125,874
Lease liabilities	14,313	15,029	49,748	168,235	247,325
Trade and other payables (excluding salary payables and other tax liabilities)	261,009	14,308	10,432	463	286,212
	928,557	75,919	62,023	168,698	1,235,197

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Borrowings (including interests)	222,201	177,742	464,384	431,517	1,295,844
Amounts due to related parties	1,786	—	—	—	1,786
Lease liabilities	15,029	15,781	51,627	150,576	233,013
Trade and other payables (excluding salary payables and other tax liabilities)	286,687	6,545	12,367	471	306,070
	525,703	200,068	528,378	582,564	1,836,713

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Borrowings (including interests)	138,665	149,761	305,226	256,866	850,518
Amounts due to related parties	56,379	—	—	—	56,379
Lease liabilities	21,303	22,368	59,687	132,034	235,392
Trade and other payables (excluding salary payables and other tax liabilities)	125,202	7,962	18,409	90	151,663
	341,549	180,091	383,322	388,990	1,293,952

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2019					
Borrowings (including interests)	133,595	147,699	301,593	242,327	825,214
Amounts due to related parties	5,026	—	—	—	5,026
Lease liabilities	18,450	23,491	60,395	119,055	221,391
Trade and other payables (excluding salary payables and other tax liabilities)	110,920	9,746	19,126	181	139,973
	267,991	180,936	381,114	361,563	1,191,604

KEY FINANCIAL RATIOS

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

	Note	Year ended 31 December 2016	2017	2018	Four months ended 30 April 2019
Gross Profit Margin	*1*	89.8%	89.2%	90.2%	91.7%
Operating Profit Margin	*2*	73.1%	82.6%	137.2%	67.9%
Core Net Profit Margin	*3*	11.0%	5.6%	22.8%	34.6%
Net Profit Margin	*4*	36.1%	42.3%	88.9%	29.6%
Return on Equity	*5*	5.0%	5.9%	17.0%	N/A
Return on Assets	*6*	2.4%	2.5%	8.1%	N/A
Interest Coverage	*7*	3.64 times	3.11 times	5.61 times	N/A

	Note	At 31 December 2016	2017	2018	As at 30 April 2019
Current Ratio	*8*	0.35	1.01	0.39	0.37
Quick Ratio	*9*	0.35	1.01	0.39	0.36
Gearing Ratio	*10*	26.6%	66.3%	44.7%	38.2%

1. Gross profit margin is calculated by the gross profit divided by the revenue for each reporting period and multiplied by 100%.

2. Operating profit margin is calculated by the operating profit divided by the revenue for each reporting period and multiplied by 100%.

3. Core net profit margin is calculated by our core net profit for the equity owners of the Company profit divided by the revenue for each reporting period and multiplied by 100%. Our core net profit does not take into account any non-controlling interests.

4. Net profit margin is calculated by the net profit divided by the revenue for each reporting period and multiplied by 100%.

5. Return on equity is calculated by the profit for the year divided by the total equity at the end of each reporting period and multiplied by 100%.

6. Return on assets is calculated by the profit for the year divided by the total assets at the end of each reporting period and multiplied by 100%.

7. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for each reporting period.

8. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.

9. Quick ratio is calculated based on the total current assets minus stock divided by the total current liabilities as at the end of each reporting period.

10. Gearing ratio is calculated based on total borrowings (exclude cash and cash equivalents and restricted cash) divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings includes bank borrowings and borrowings from non-bank financial institutions.

Gross profit margin

Our gross profit margin was approximately 89.8%, 89.2% and 90.2% for the year ended 31 December 2016, 2017 and 2018, respectively and 91.7% for the four months ended 30 April 2019, respectively, which were fairly stable.

Operating profit margin

Our operating profit margin was approximately 73.1%, 82.6% and 137.2% for the year ended 31 December 2016, 2017 and 2018, respectively and 67.9% for the four months ended 30 April 2019, respectively. The increase in operating profit margin for the year ended 31 December 2018 was mainly attributable to (i) the significant increase in the revenue; and (ii) increase in fair value gains on investment properties. The decrease in operating profit margin for the four months ended 30 April 2019 was mainly attributable to the decrease in fair value gains on investment properties during the period.

Core net profit margin

Our core net profit margin was approximately 11.0%, 5.6% and 22.8% for the year ended 31 December 2016, 2017 and 2018, respectively and 34.6% for the four months ended 30 April 2019. The increase in core net profit margin for the year ended 31 December 2018 was mainly attributable to the significant increase in profit from operations.

Return on equity

Our return on equity was approximately 5.0%, 5.9% and 17.0% for the year ended 31 December 2016, 2017 and 2018, respectively. The increase in return on equity for the year ended 31 December 2018 was mainly attributable to the significant increase in the profit for the year as mentioned above. This calculation is not applicable for the four months ended 30 April 2019 as (i) a calculation using profit for the period is not comparable to using the profit for the year; and (ii) the profit for the period cannot be meaningfully annualized due to the incurrence of one-off listing expenses during the period.

Return on assets

Our return on assets was approximately 2.4%, 2.5% and 8.1% for the year ended 31 December 2016, 2017 and 2018, respectively. The increase in return on assets for the year ended 31 December 2018 was mainly attributable to the significant increase in the profit for the year as mentioned above. This calculation is not applicable for the four months ended 30 April 2019 as (i) a calculation using profit for the period is not comparable to using the profit for the year; and (ii) the profit for the period cannot be meaningfully annualized due to the incurrence of one-off listing expenses during the period.

Interest coverage

Our interest coverage was approximately 3.64 times, 3.11 times and 5.61 times, respectively for the year ended 31 December 2016, 2017 and 2018, respectively. The decrease in interest coverage for the year ended 31 December 2017 is mainly due to the increase in interest expenses incurred for the increased total borrowing. The increase in interest coverage for the year ended 31 December 2018 was mainly attributable to the significant increase in profit before interest and tax. This calculation is not applicable for the four months ended 30 April 2019 as (i) a calculation using profit for the period is not comparable to using the profit for the year; and (ii) the profit for the period cannot be meaningfully annualized due to the incurrence of one-off listing expenses during the period.

Current ratio

Our current ratio was approximately 0.35, 1.01, 0.39 and 0.37 for the year ended 31 December 2016, 2017 and 2018 and for the four months ended 30 April 2019, respectively. The increase in current ratio as of the year ended 31 December 2017 was mainly due to significant increase in amount due from related parties and decrease in current liabilities due to the decrease in short term borrowing. The decrease in current ratio as of the year ended 31 December 2018 was mainly attributable to the repayment from related parties and the repayment of long term bank borrowing. Our current ratio then remained relatively stable at 0.37 as at 30 April 2019.

Quick ratio

Our quick ratio was approximately 0.35, 1.01, 0.39 and 0.36 as of the year ended 31 December 2016, 2017 and 2018 and for the four months ended 30 April 2019, respectively. The trend was consistent with the changes of our current ratio as we had small amount of inventory for Online Shopping Malls as of 31 December 2018. Our quick ratio then remained relatively stable at 0.36 as at 30 April 2019.

Gearing ratio

Our gearing ratio was approximately 26.6%, 66.3%, 44.7% and 38.2% for the year ended 31 December 2016, 2017 and 2018 and for the four months ended 30 April 2019, respectively. The increase in gearing ratio as of 31 December 2017 as compared to 31 December 2016 is mainly attributable to additional borrowings while the equity remains relatively stable. The decrease in gearing ratio as of 31 December 2018 as compared to 31 December 2017 is mainly due to the decrease in borrowings during the year ended 31 December 2018. Our gearing ratio further decreased to 38.2% as at 30 April 2019 due to the capital injection by our Pre-IPO investor amounted to RMB55.8 million.

Sensitivity Analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the changes in fair value gains on our investment properties on our profit before tax during the Track Record Period. Fluctuations in the changes in fair value gains on our investment property are assumed to be 5%, 10% and 15%.

	Changes in %		
Hypothetical fluctuations	**+/- 5%**	**+/- 10%**	**+/- 15%**
	RMB'000	*RMB'000*	*RMB'000*
Increase/(decrease) in profit before tax for the year ended			
31 December 2016	2,458/(2,458)	4,917/(4,917)	7,375/(7,375)
31 December 2017	2,542/(2,542)	5,084/(5,084)	7,626/(7,626)
31 December 2018	6,312/(6,312)	12,625/(12,625)	18,937/(18,937)
30 April 2019	107/(107)	214/(214)	322/(322)

DIVIDENDS

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the year ended 31 December 2016, 2017 and 2018 and for the four months ended 30 April 2019.

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory or contractual restrictions, and other factors that our Board deems relevant. As such, we do not have a predetermined dividend payout ratio. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our operating subsidiaries.

DISTRIBUTABLE RESERVES

As at 30 April 2019, we had no reserves available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for our unaudited pro forma adjusted combined net tangible assets.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming Offer Price of HK$1.00 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately RMB55.2 million, of which approximately RMB18.7 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of RMB36.5 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses, of approximately RMB21.9 million in relation to services already performed by relevant parties, were reflected in our consolidated statements of comprehensive income for the year ended 2018 and the four months ended 30 April 2019, and an additional of approximately RMB14.6 million is expected to be recognised in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing.

RECENT DEVELOPMENTS

Despite the absence of any material adverse change in our business since the end of the Track Record Period, we expect that our profit for the year ended 31 December 2019 will be lower than that for the year ended 31 December 2018 primarily due to the absence of significant increase in fair value gains on the investment properties as compared to the year ended 31 December 2018, and the increase in selling and administrative expenses as a result of (i) an expected increase in employee benefit expenses due to an increase in the average salary of our employees; (ii) the fees to be incurred as a consequence of being a listed company on the Stock Exchange, such as the auditor's remuneration, the annual listing fee and related consulting fees, and (iii) the increase in listing expense. Subsequent to the Track Record Period, (i) approximately 10,051.14 sq.m. of our retail space underwent renovation in Xinji Shaxi Hospitality Supplies Expo Center was leased; and (ii) the pricing of our rental income remained stable.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under section headed "Summary — Recent Developments and No Material Adverse Change", there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant's Report set forth in Appendix I to this prospectus since the Latest Practicable Date, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

DISCLOSURE REQUIRED UNDER RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

HONG KONG UNDERWRITERS

China Tonghai Securities Limited

RaffAello Securities (HK) Limited

China Industrial Securities International Capital Limited

Sorrento Securities Limited

I Win Securities Limited

Fortune (HK) Securities Limited

Lead Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 37,500,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but 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, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar, MOP or the Renminbi against any foreign currencies) in or affecting Hong Kong, China or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority (the "**Law**") or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent authority in any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) 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, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) (1) any, moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the European Union, Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or

(vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar, or the Renminbi against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively, the "**Organisations**") of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or

(x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or

(xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman or chief executive officer of our Company vacating his office; or

(xiii) a contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other Law applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting the Offer Shares (including any additional Shares issued under the exercise of the Over-allotment Option) under the terms of the Global Offering; or

(xv) non-compliance of this prospectus, the relevant offering circulars (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other Law applicable to the Global Offering; or

(xvi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription of the Offer Shares) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid 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 before its stated maturity; or

(xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,

and which, in any such case and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

(1) is or will or may be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or

(2) has or will have or may have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) makes or will or may make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering (including processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement or information, or any matter or circumstance that renders any statement or information, contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and/or the International Offering (including any supplement or amendment to any of the documents) (collectively, the "**Offer Documents**") was or has become, untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not, in the sole and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions; or

(ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents; or

(iii) any material breach of, or any event rendering untrue, incorrect or misleading in any material respect, any of the warranties or confirmations given by our Company, the executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) any material breach of any of the obligations, warranties or undertakings of our Company, our Controlling Shareholder or the Executive Directors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) any material event, act or omission which gives or may give or is likely to give rise to any liability of any of our Controlling Shareholders, Executive Directors and our Company pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or

(vi) any information, matter or event which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters);

(1) is inconsistent in any respect with any information contained in Form B in Appendix 5 to the Listing Rules given by our Directors; or

(2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or

(vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or

(viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

(x) any person (other than the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents.

UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders have undertaken to the Stock Exchange and our Company that he/she/it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a group of controlling shareholder of our Company, in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders have undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(1) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS UNDER THE HONG KONG UNDERWRITING AGREEMENT

Undertakings under the Hong Kong Underwriting Agreement

Undertakings by our Company

We have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that at any time 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**"), our Company will not (except for the issue of Shares under the Capitalisation Issue, the Global Offering, the Over-allotment Option and any options which may be granted under the Share Option Scheme) without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (unless in compliance with the requirements set out in the Listing Rules):

(a) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or securities of our Company or any interest in our securities or any voting right or any other right attaching thereto (including but not limited any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our share or debt capital); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our securities or any voting right or any other right attaching thereto; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. We further agree that in the event of an issue or a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the First Six-month Period, we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for the Shares.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilising Manager or its agent, our Controlling Shareholders will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time:

(i) during the First Six-month Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership (collectively, the "**Lock-up Shares**")). The foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders.

Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Lock-up Shares; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (i)(a) or (i)(b) above; or

(d) publicly announce any intention to enter into, any transaction described in (i)(a), (i)(b) or (i)(c) above,

whether any transaction described in (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or such other securities in cash or otherwise; and

(ii) during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**") enter into any of the transactions in paragraphs (i)(a), (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, our Controlling Shareholders will cease to be our Controlling Shareholders. Each of our Controlling Shareholders further agrees that in the event of a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the Second Six-month Period, our Controlling Shareholders will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that at any time during the period from the commencement of the First Six-month Period to the date on which the Second Six-month Period expires, he/she/it shall:

(a) if he/she/it pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which he/she/it is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and

(b) if he/she/it receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in writing of any such indication.

Indemnity

We and our Controlling Shareholders have agreed to indemnify the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, we, our Controlling Shareholders and the Selling Shareholders, among others, expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of the International Offering Shares being offered under the International Offering.

Under the International Underwriting Agreement, we expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 56,250,000 additional new Shares, representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued and sold at the Offer Price and will be solely for the purpose of covering over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We and our Controlling Shareholders will agree to indemnify the International Underwriters against certain liabilities.

Commissions and expenses

The Hong Kong Underwriters is expected to receive a commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued and by the Selling Shareholders in relation to the Sale Shares, respectively, under the Global Offering. Our Company may also in its sole discretion pay the Underwriters an additional incentive fee based on the marketing performance of the Underwriters.

Based on an Offer Price of HK$1.00 per Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, the total listing expenses (based on the mid-point of the offer price range stated in this prospectus) are estimated to be approximately RMB55.2 million.

Underwriters' interest in our Group

Other than disclosed in the preceding paragraph, the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Arrangement that may be entered into between the Stabilising Manager or its agent with Honchuen Investment, Zuoting Investment and Weixin Development, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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 37,500,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the section headed "The Hong Kong Public Offering" below; and

(b) the International Offering of 337,500,000 Shares, comprising 262,500,000 new Shares and 75,000,000 Sale Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

China Tonghai Securities Limited and RaffAello Securities (HK) Limited are the Joint Global Coordinators of the Global Offering. China Tonghai Securities Limited, RaffAello Securities (HK) Limited and China Industrial Securities International Capital Limited are the Joint Bookrunners of the Global Offering. China Tonghai Securities Limited, RaffAello Securities (HK) Limited, China Industrial Securities International Capital Limited, Sorrento Securities Limited, I Win Securities Limited, Fortune (HK) Securities Limited and Lead Securities (HK) Limited are the Joint Lead Managers of the Global Offering. RaffAello Capital Limited is the Sole Sponsor to the Listing.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 37,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "Conditions of the Global Offering" below.

Allocation

Allocation of 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 would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking into account any reallocation) is to be equally divided into two pools 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 Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in 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 therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 18,750,000 Hong Kong Offer Shares (being 50% of the 37,500,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of 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 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 112,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of 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 the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 150,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of 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 the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 187,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

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. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In the event that (i) the International Offering is under-subscribed and the Hong Kong Public Offering is fully subscribed or over-subscribed irrespective of the number of times, or (ii) the International Offering is fully subscribed or over-subscribed and the Hong Kong Public Offering is fully subscribed or over-subscribed as to less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering provided that the Offer Price would be set at HK$0.90 (low-end of the indicative Offer Price range), up to 37,500,000 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 75,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In the event that the International Offering and the Hong Kong Public Offering are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

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 that he and any person(s) for whose benefit he 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 Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.10 per Offer Share in addition to any brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$3,333.26 for one board lot of 3,000 Shares. If the Offer Price, as finally determined in the manner described in the section headed ''Pricing and Allocation'' below, is less than the maximum price of HK$1.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed ''How to Apply for the Hong Kong Offer Shares'' in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 337,500,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below), representing 90% of the total number of Offer Shares initially available under the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the ''book-building'' process described in the section headed ''Pricing and Allocation'' below 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 the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the International Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed "The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable at any time during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 56,250,000 Shares, representing no more than 15% of the initial Offer Shares at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, as Stabilising Manager, on behalf of the Underwriters, may effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilising transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it.

Stabilisation action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 29 November, 2019, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued pursuant to the exercise in full of the Over-allotment Option, being 56,250,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 56,250,000 Shares from Honchuen Investment, Zuoting Investment and Weixin Development pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilising Manager for settlement of over allocations in the International Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which in any event no later than 6 November 2019.

The Offer Price will not be more than HK$1.10 per Offer Share and is expected to be not less than HK$0.90 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. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.10 per Offer Share in addition to any brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$3,333.26 for one board lot of 3,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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 and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that 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, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.xjsx.net.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information 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 (for ourselves and on behalf of the Selling Shareholders) 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.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, 7 November 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.xjsx.net.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company (for ourselves and on behalf of the Selling Shareholders) 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 the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, for themselves and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements;

in each case on or before the dates and times specified in the respective 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.

If, for any reason, the Offer Price is not agreed between the Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, 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 the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.xjsx.net.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, 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 — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the Receiving Bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

SHARES WILL BE ELIGIBLE FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between 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 advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 8 November 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 8 November 2019. The Shares will be traded in board lots of 3,000 Shares. The stock code of the Shares is 3603.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- 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.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as respectively defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering;
- are an associate or a close associate (as respectively defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.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 Friday 25 October 2019 to 12:00 noon on Wednesday 30 October 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

China Tonghai Securities Limited
18/F and 19/F, China Building
29 Queen's Road Central
Hong Kong

RaffAello Securities (HK) Limited
Unit 1701, 17/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

Sorrento Securities Limited
11/F, The Wellington
198 Wellington Street, Central
Hong Kong

I Win Securities Limited
Room 1916, Hong Kong Plaza
188 Connaught Road West
Hong Kong

Fortune (HK) Securities Limited
43/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Lead Securities (HK) Limited
Unit A, 23/F, The Wellington
198 Wellington Street, Central
Hong Kong

(ii) or any of the following branches of the following Receiving Bank:

CMB Wing Lung Bank Limited

District	**Branch Name**	**Address**
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 25 October 2019 to 12:00 noon on Wednesday, 30 October 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "CMB WING LUNG (NOMINEES) LIMITED — XINJI SHAXI GROUP CO., LTD 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:

Friday, 25 October 2019	—	9:00 a.m. to 5:00 p.m.
Saturday, 26 October 2019	—	9:00 a.m. to 1:00 p.m.
Monday, 28 October 2019	—	9:00 a.m. to 5:00 p.m.
Tuesday, 29 October 2019	—	9:00 a.m. to 5:00 p.m.
Wednesday, 30 October 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, 30 October 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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 **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, Receiving Bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" in the prospectus to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (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 **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO White Form

General

Individuals who meet the criteria in "2. Who Can Apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 25 October 2019 until 11:30 a.m. on Wednesday, 30 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 October 2019 or such later time under "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** service more than once and obtaining different payment 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 **HK eIPO White Form** 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, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, Receiving Bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 3,000 Hong Kong Offer Shares. Instructions for more than 3,000 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:

Friday, 25 October 2019 — 9:00 a.m. to 8:30 p.m.(1)
Monday, 28 October 2019 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 29 October 2019 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 30 October 2019 — 8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 25 October 2019 until 12:00 noon on Wednesday, 30 October 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 30 October 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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 the Company, the Hong Kong Branch Share Registrar, the Receiving Bank, 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 the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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. The Company, the Directors, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 30 October 2019 or such later time under "10. Effect of Bad Weather on the Opening of the Application Lists" below.

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:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 3,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 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.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

See the section headed ''Structure and Conditions of the Global Offering — Pricing and Allocation'' for further details on the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a ''black'' rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 October 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, 30 October 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

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 7 November 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.xjsx.net.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.xjsx.net.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 7 November 2019;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/iporesult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 7 November 2019 to 12:00 midnight on Wednesday, 13 November 2019;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 7 November 2019 to Tuesday, 12 November 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 7 November 2019 to Monday, 11 November 2019 at all the Receiving Bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See "Structure and Conditions of the Global Offering" for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk**;

- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 7 November 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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Thursday, 7 November 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 8 November 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

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 check(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 7 November 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 November 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 November 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, 7 November 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 November 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.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 7 November 2019, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 7 November 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 dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) on or before Thursday, 7 November 2019 by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 7 November 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, 7 November 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 November 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 7 November 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.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 7 November 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-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the 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.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINJI SHAXI GROUP CO., LTD AND RAFFAELLO CAPITAL LIMITED

Introduction

We report on the historical financial information of Xinji Shaxi Group Co., Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-106, which comprises the consolidated balance sheets as at 31 December 2016, 2017 and 2018 and 30 April 2019, the company balance sheets as at 31 December 2018 and 30 April 2019, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-106 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 October 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 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 30 April 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the four months ended 30 April 2018 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

No dividends have been paid 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 October 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Four months ended 30 April	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*6*	208,726	209,868	281,355	80,947	92,193
Cost of sales	*7*	(21,298)	(22,750)	(27,463)	(5,607)	(7,648)
Fair value gains on investment properties	*16*	49,168	50,840	126,247	121,372	2,144
Selling and marketing expenses	*7*	(57,422)	(35,299)	(23,570)	(7,881)	(12,094)
Administrative expenses	*7*	(24,963)	(30,888)	(39,804)	(13,764)	(13,438)
Net (impairment losses)/reversal of impairment loss on financial assets and operating lease receivables	*3.1(b)*	(4,270)	(2,190)	(275)	1,135	(117)
Other income	*8*	3,705	3,887	69,324	664	1,709
Other (losses)/gain — net	*9*	(1,124)	(113)	90	—	(104)
Operating profit		152,522	173,355	385,904	176,866	62,645
Finance income	*11*	528	29,174	40,198	16,410	42
Finance expenses	*11*	(38,277)	(65,132)	(77,743)	(25,339)	(18,161)
Finance expenses — net	*11*	(37,749)	(35,958)	(37,545)	(8,929)	(18,119)
Profit before income tax		114,773	137,397	348,359	167,937	44,526
Income tax expenses	*12*	(39,326)	(48,613)	(98,133)	(46,463)	(17,221)
Profit for the year/period		75,447	88,784	250,226	121,474	27,305

	Note	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018	Four months ended 30 April 2018	Four months ended 30 April 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Profit for the year/period attributable to:						
— Owners of the Company		58,951	76,910	189,213	84,524	28,174
— Non-controlling interests		16,496	11,874	61,013	36,950	(869)
		75,447	88,784	250,226	121,474	27,305
Earnings per share for profit attributable to owners of the Company during the year/period *(expressed in RMB per share)*						
Basic and diluted earnings per share	*13*	1,464	1,910	4,540	2,099	542

(b) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018	Four months ended 30 April 2018	Four months ended 30 April 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period		75,447	88,784	250,226	121,474	27,305
Other comprehensive income						
Item that will not be reclassified to profit or loss						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(6,788)	3,121	(1,261)	(190)	—
Other comprehensive income for the year/period, net of tax		(6,788)	3,121	(1,261)	(190)	—
Total comprehensive income for the year/period		68,659	91,905	248,965	121,284	27,305
Attributable to:						
— Owners of the Company		52,163	80,031	187,952	84,334	28,174
— Non-controlling interests		16,496	11,874	61,013	36,950	(869)
		68,659	91,905	248,965	121,284	27,305

(c) CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 30 April 2019 RMB'000
ASSETS					
Non-current assets					
Property and equipment	*15*	1,594	1,402	870	1,749
Investment properties	*16*	2,740,060	2,874,370	2,890,230	2,932,840
Intangible assets	*17*	854	958	974	781
Financial assets at fair value through other comprehensive income	*20*	12,520	16,681	—	—
Deferred income tax assets	*29*	9,954	8,238	5,612	5,509
		2,764,982	2,901,649	2,897,686	2,940,879
Current assets					
Inventories		—	—	1,514	1,822
Properties under development for sale	*18*	165,102	—	—	—
Operating lease and trade receivables and other receivables	*21*	50,846	56,526	66,164	53,020
Amounts due from related parties	*33*	17,464	536,288	94,990	9,169
Restricted cash	*22*	82,000	—	—	—
Cash and cash equivalents	*22*	61,955	22,637	11,283	68,862
		377,367	615,451	173,951	132,873
Total assets		3,142,349	3,517,100	3,071,637	3,073,752
EQUITY					
Share capital and premium	*23*	—	—	—	55,760
Other reserves	*24*	175,294	86,020	222,925	222,925
Retained earnings	*25*	987,609	1,064,519	1,253,732	1,281,906
		1,162,903	1,150,539	1,476,657	1,560,591
Non-controlling interests		355,029	366,903	(832)	(1,701)
Total equity		1,517,932	1,517,442	1,475,825	1,558,890

	Note	As at 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	As at 30 April 2019 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	*28*	46,975	869,453	578,805	571,436
Deferred revenue		—	—	5,802	4,747
Trade and other payables	*26*	22,752	17,397	25,334	29,053
Lease liabilities	*26*	140,751	136,456	141,217	140,829
Deferred income tax liabilities	*29*	347,865	368,197	403,169	407,091
		558,343	1,391,503	1,154,327	1,153,156
Current liabilities					
Borrowings	*28*	500,857	159,389	92,659	92,909
Trade and other payables	*26*	272,584	296,571	135,752	119,765
Lease liabilities	*26*	13,846	13,395	19,285	15,403
Amounts due to related parties	*33*	125,874	1,786	56,379	5,026
Advance from customers	*27*	147,544	121,743	103,304	84,018
Contract liabilities		818	1,072	4,116	7,180
Current income tax liabilities		4,551	14,199	29,990	37,405
		1,066,074	608,155	441,485	361,706
Total liabilities		1,624,417	1,999,658	1,595,812	1,514,862
Total equity and liabilities		3,142,349	3,517,100	3,071,637	3,073,752

(d) BALANCE SHEETS OF THE COMPANY

	Note	**As at 31 December 2018** *RMB'000*	**As at 30 April 2019** *RMB'000*
ASSETS			
Non-current assets			
Investment in a subsidiary		1,476,657	1,498,760
Current assets			
Amounts due from related parties		935	1,412
Prepayments	*21*	3,740	5,279
Cash and cash equivalents		—	33,031
		4,675	39,722
Total assets		1,481,332	1,538,482
EQUITY			
Share capital and premium	*23*	—	55,760
Other reserve		1,476,657	1,476,657
Accumulated losses		—	(6,793)
Total equity		1,476,657	1,525,624
LIABILITIES			
Current liabilities			
Amounts due to a subsidiary		4,675	10,063
Other payables	*26*	—	2,795
		4,675	12,858
Total liabilities		4,675	12,858
Total equity and liabilities		1,481,332	1,538,482

(e) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share Capital and Premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note23)	*(Note24)*	*(Note25)*			
For the year ended 31 December 2016							
Balance at 1 January 2016		—	182,082	928,658	1,110,740	338,533	1,449,273
Profit for the year		—	—	58,951	58,951	16,496	75,447
Other comprehensive income		—	(6,788)	—	(6,788)	—	(6,788)
Total comprehensive income for the year		**—**	**(6,788)**	**58,951**	**52,163**	**16,496**	**68,659**
Balance at 31 December 2016		**—**	**175,294**	**987,609**	**1,162,903**	**355,029**	**1,517,932**
For the year ended 31 December 2017							
Balance at 1 January 2017		—	175,294	987,609	1,162,903	355,029	1,517,932
Profit for the year		—	—	76,910	76,910	11,874	88,784
Other comprehensive income		—	3,121	—	3,121	—	3,121
Total comprehensive income for the year		**—**	**3,121**	**76,910**	**80,031**	**11,874**	**91,905**
Transactions with owners							
Deemed distributions to the then shareholders of the Group	*24*	—	(133,195)	—	(133,195)	—	(133,195)
Contribution from the then shareholders of the Group	*24*	—	40,800	—	40,800	—	40,800
		—	(92,395)	—	(92,395)	—	(92,395)
Balance at 31 December 2017		**—**	**86,020**	**1,064,519**	**1,150,539**	**366,903**	**1,517,442**

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Share Capital and Premium	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note23)	*(Note24)*	*(Note25)*			
For the year ended 31 December 2018							
Balance at 1 January 2018		—	86,020	1,064,519	1,150,539	366,903	1,517,442
Profit for the year		—	—	189,213	189,213	61,013	250,226
Other comprehensive income		—	(1,261)	—	(1,261)	—	(1,261)
Total comprehensive income for the year		**—**	**(1,261)**	**189,213**	**187,952**	**61,013**	**248,965**
Transactions with owners							
Non-controlling interest on acquisition of subsidiaries	*34(a)*	—	—	—	—	1,160	1,160
Changes in ownership interests in subsidiaries without change of control	*34*	—	411,050	—	411,050	(434,808)	(23,758)
Issuance of shares pursuant to the Reorganisation	*23*	—	—	—	—	—	—
Deemed distributions to the then shareholders of the Group	*24*	—	(272,884)	—	(272,884)	—	(272,884)
Capital injection from non-controlling interests		—	—	—	—	4,900	4,900
		—	138,166	—	138,166	(428,748)	(290,582)
Balance at 31 December 2018		**—**	**222,925**	**1,253,732**	**1,476,657**	**(832)**	**1,475,825**

	Note	Attributable to owners of the Company					
		Share Capital and Premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note23)	*(Note24)*	*(Note25)*			
For the period ended 30 April 2019							
Balance at 1 January 2019		—	222,925	1,253,732	1,476,657	(832)	1,475,825
Profit for the period		—	—	28,174	28,174	(869)	27,305
Total comprehensive income for the period		**—**	**—**	**28,174**	**28,174**	**(869)**	**27,305**
Transactions with owners							
Issue of new shares	*23*	55,760	—	—	55,760	—	55,760
Balance at 30 April 2019		**55,760**	**222,925**	**1,281,906**	**1,560,591**	**(1,701)**	**1,558,890**
For the period ended 30 April 2018 (Unaudited)							
Balance at 1 January 2018		—	86,020	1,064,519	1,150,539	366,903	1,517,442
Profit for the period		—	—	84,524	84,524	36,950	121,474
Other comprehensive income		—	(190)	—	(190)	—	(190)
Total comprehensive income for the period		**—**	**(190)**	**84,524**	**84,334**	**36,950**	**121,284**
Transactions with owners							
Non-controlling interest on acquisition of subsidiaries	*34(a)*	—	—	—	—	1,160	1,160
Deemed distributions to the then shareholders of the Group	*24*	—	(2,000)	—	(2,000)	—	(2,000)
		—	(2,000)	—	(2,000)	1,160	(840)
Balance at 30 April 2018		**—**	**83,830**	**1,149,043**	**1,232,873**	**405,013**	**1,637,886**

(f) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Four months ended 30 April	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	*30*	194,579	69,917	240,367	93,088	46,418
Income tax paid		(13,006)	(13,264)	(24,469)	(5,190)	(5,781)
Interest received		52	1,681	34	9	42
Interest paid		(34,071)	(46,213)	(68,540)	(21,733)	(17,081)
Net cash generated from operating activities		147,554	12,121	147,392	66,174	23,598
Cash flows from investing activities						
Payments for acquisition of subsidiaries, net of cash acquired	*34*	—	—	(654)	—	—
Proceeds from disposal of subsidiaries	*30*	—	—	7,300	7,300	—
Payments for investment properties		(32,632)	(45,224)	(193,872)	(123,998)	(23,630)
Payments for purchase of property, plant and equipment		(191)	(712)	(51)	(11)	(95)
Payments for purchase of intangible assets		(775)	(427)	(433)	—	(29)
Proceeds from disposal of property, plant and equipment		—	—	241	—	—
Repayment from related parties		902	862	485,079	20,217	18,154
Cash advance to related parties		(10,395)	(491,716)	(7,842)	(2,778)	(466)
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	15,000	—	—
Dividend received		1,650	1,275	1,275	—	—
Net cash (used in)/generated from investing activities		(41,441)	(535,942)	306,043	(99,270)	(6,066)

	Note	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (Unaudited)	2019 RMB'000
Cash flows from financing activities						
Proceeds from borrowings		230,440	1,006,320	106,930	56,930	—
Repayments of borrowings		(289,109)	(534,558)	(465,772)	(38,947)	(8,380)
Capital injection by a Pre-IPO investor		—	—	—	—	55,760
Capital injection from non-controlling interests		—	—	—	—	4,900
Payments for listing related expenses		—	—	(3,740)	(1,154)	(1,539)
Cash advance from related parties		147,993	135,101	3,982	3,100	16,780
Repayment to related parties		(40,617)	(112,858)	(1,732)	—	—
Contribution from the then shareholders of the Group	24	—	40,800	—	—	—
Deemed distributions to the then shareholders of the Group	24	—	(118,000)	(88,808)	(2,000)	—
Changes in ownership interests in subsidiaries without change of control	34	—	—	(1,319)	—	(22,439)
Settlement of lease liabilities		(13,621)	(14,302)	(14,330)	(1,631)	(5,298)
Restricted cash pledged for bank borrowings		(82,000)	82,000	—	—	—
Net cash (used in)/generated from financing activities		(46,914)	484,503	(464,789)	16,298	39,784
Net increase/(decrease) in cash and cash equivalents		59,199	(39,318)	(11,354)	(16,798)	57,316
Cash and cash equivalents at beginning of year/period		2,756	61,955	22,637	22,637	11,283
Exchange gain on cash and cash equivalents		—	—	—	—	263
Cash and cash equivalents at end of year/period		61,955	22,637	11,283	5,839	68,862

II. NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

Xinji Shaxi Group Co., Ltd (the "Company") was incorporated in the Cayman Islands on 27 July 2018 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1–1106, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in operating and managing hospitality supplies and home furnishing shopping malls, exhibition management services and online shopping mall (the "Listing Business") in the People's Republic of China (the "PRC").

The ultimate controlling parties of the Company are Mr. Cheung Hon Chuen (張漢泉, "Mr. Cheung"), Mr. Mei Zuoting (梅佐挺, "Mr. Mei") and Mr. Zhang Weixin (張偉新, "Mr. Zhang") (the "ultimate controlling shareholders").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of a reorganisation (the "Reorganisation") in preparation for the listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"), the Listing Business of the Group was carried out by Guangzhou Shaxi International Hospitality Supplies City Company Limited ("Guangzhou Shaxi Hotel") and certain other entities controlled by the ultimate controlling shareholders.

In preparation for the Listing, the Company and the other entities now comprising the Group underwent the Reorganisation pursuant to which the Company became the holding company of the other companies within the Group. Details of the Reorganisation are as follows:

(i) From August 2017 to August 2018, through a serious of transactions, the equity interests of the following companies which were previously owned by the ultimate controlling shareholders were transferred to Guangzhou Shaxi Hotel at an aggregate cash consideration of RMB206,808,000:

Name of subsidiaries	Equity interest acquired	Consideration (RMB'000)
Guangdong Xinji Household Company Limited ("Guangdong Xinji Household")	100%	2,000
Guangdong Xinji Huazhan Exhibition Company Limited ("Xinji Huazhan")	51%	1,530
Shenyang Shaxi International Hospitality Supplies Expo Center Company Limited ("Shenyang Shaxi Hotel")	10% *(note a)*	1,000
Shenyang Shaxi International Home Furnishings Expo Center Company Limited ("Shenyang Shaxi Household")	100%	10,000
Shenyang Xinji Industrial Centre Company Limited ("Shenyang Xinji Industrial")	100%	118,000
Guangzhou Wanhua Hospitality Supplies City Company Limited ("Guangzhou Wanhua Hotel")	51% *(note b)*	74,278

Note a: Shenyang Shaxi Hotel was owned as to 90% by Guangzhou Shaxi Hotel prior to the Reorganisation.

Note b: Pursuant to a cooperative agreement entered into between the ultimate controlling shareholders and the non-controlling interests of Guangzhou Wanhua Hotel, the ultimate controlling shareholders were entitled to a 51% equity interest in Guangzhou Wanhua Hotel despite their legal interest in the entity was 80.3%. In addition, from January 2016 to March 2017, Guangzhou Wanhua Hotel was owned as to 51% by Guangzhou Shaxi Hotel. In March 2017, Guangzhou Shaxi Hotel disposed of the equity interest in Guangzhou Wanhua Hotel to the ultimate controlling shareholders at consideration of RMB40,800,000. Such equity interest was transferred back to Guangzhou Shaxi Hotel pursuant to the Reorganization.

(ii) On 5 January 2018, Guangzhou Shaxi Hotel disposed of its 73% equity interest in Guangzhou Yaodu Investment Company Limited ("Guangzhou Yaodu") to Xinji Group Company Limited ("Xinji Company"), a company incorporated in the PRC and owned by the ultimate controlling shareholders at consideration of RMB7,300,000. Since then Guangzhou Yaodu ceased to be a subsidiary of the Group.

(iii) On 24 July 2018, Xinji Shaxi Holding Limited ("Xinji Shaxi Holding") was incorporated as a company with limited liability under the British Virgin Islands ("BVI") and later became a wholly owned subsidiary of the Company. On 28 August 2018, Hong Kong Xinji Shaxi Hotel Supplier Development Limited ("Hong Kong Xinji") was incorporated and became a subsidiary of Xinji Shaxi Holding. On 25 September 2018, Guangzhou Xinji Shaxi Industrial Investment Co., Ltd. ("Guangzhou Xinji") was incorporated in the PRC as a subsidiary of Hong Kong Xinji.

As a result of the above-mentioned transactions, Xinji Shaxi Holding, Hong Kong Xinji and Guangzhou Xinji all became investment holding companies of the Group.

(iv) On 27 July 2018, the Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability, with initial authorised share capital of HK$380,000 divided into 38,000,000 shares at par value of HK$0.01 each. As of the date of incorporation and on 13 December 2018, 46,925 shares were issued and allotted to certain companies owned and controlled by the ultimate controlling shareholders and non-controlling shareholders of certain non-wholly subsidiaries of the Group prior to the Reorganisation. On 30 January 2019, the Company, the ultimate controlling shareholders and Zhanpeng Investment (Hongkong) Company Limited ("Zhanpeng Investment" or "Pre-IPO investor") entered into an investment agreement, pursuant to which Zhanpeng Investment injected capital totaling RMB55,760,000 (equivalent to HK$65,000,000) to the Company (Note 23).

(v) On 1 November 2018, Dragon Richly International Investment Limited ("Dragon International"), a company incorporated in Hong Kong and controlled by Mr. Chan Wing Hung, Mr. Lin Mingxin, Mr. Li Zhanpeng and Ms. Liang Yujing (the "shareholders of Dragon International"), entered into an agreement with the then shareholders of Guangzhou Shaxi Hotel under which Dragon International would inject capital of RMB4,900,000 to Guangzhou Shaxi Hotel and since then Guangzhou Shaxi Hotel became a sino-foreign enterprise in the PRC and was owned as to 65.8% by the ultimate controlling shareholders, 18.7% by Guangzhou Huiqun Trading Co., Ltd ("Guangzhou Huiqun"), 9.4% by Guangzhou Fupin Trading Co., Ltd ("Guangzhou Fupin") and 6.1% by Dragon International. Guangzhou Huiqun and Guangzhou Fupin are companies incorporated in the PRC and controlled by independent third parties.

(vi) Guangzhou Panyu Xinji Real Estate Development Co., Ltd ("Panyu Real Estate") is a company incorporated in the PRC and controlled by the ultimate controlling shareholders and engages in (a) operating and managing home furnishing shopping mall ("Included Business") and (b) property development business. The assets, liabilities and results of operations of the Included Business was included in the consolidated financial statements of the Group up to 1 December 2018, as Panyu Real Estate ceased to operate such business and the Included Business was then taken up by the Group (Note 16).

(vii) On 27 December 2018, Hong Kong Xinji acquired the 6.1% interests in Guangzhou Shaxi Hotel held by Dragon International. Also, in return for the sales of Guangzhou Wanhua Hotel by the shareholders of Dragon International to the Group (see note 34), the Company allotted 3,075 shares to Real Smart Investment Development Limited ("Real Smart Investment"), a company controlled by the shareholders of Dragon International. On the same date, Guangzhou Xinji acquired a 93.9% interests in Guangzhou Shaxi Hotel from the ultimate controlling shareholders, and Guangzhou Huiqun and Guangzhou Fupin at cash consideration of approximately RMB52,343,000 and RMB22,439,000 respectively. Since then, Guangzhou Shaxi Hotel became a wholly owned subsidiary of the Group.

Upon completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

Company name	Country/place and date of incorporation/establishment	Registered/Issued capital and paid-up capital	Attributable equity interest of the Group: 31 December 2016	31 December 2017	31 December 2018	30 April 2019	As at the date of this report	Principal activities/place of operation	Note
Directly owned:									
Xinji Shaxi Holding ("信基沙溪控股有限公司")	BVI, 24 July 2018	US$50,000/US$1	N/A	N/A	100%	100%	100%	Investment holding, BVI	*(1)&(2)*
Indirectly owned:									
Hong Kong Xinji ("香港信基沙溪酒店用品發展有限公司)	Hong Kong, 28 August 2018	Hong Kong Dollar ("HK$") 10,000/ HK$10,000	N/A	N/A	100%	100%	100%	Investment holding, Hong Kong	*(1)&(3)*
Guangzhou Xinji ("廣州信基沙溪實業投資有限公司")	PRC, 25 September 2018	RMB300,000,000/ RMB17,234,000	N/A	N/A	100%	100%	100%	Investment holding/the PRC	*(1)&(2)*
Guangzhou Shaxi Hotel ("廣州沙溪國際酒店用品城有限公司")	PRC, 8 January 2002	RMB300,000,000/ RMB21,836,000	70%	70%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Guangzhou Wanhua Hotel ("廣州萬華酒店用品城有限公司")	PRC, 24 June 2004	RMB50,800,000/ RMB50,800,000	51%	51%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Shenyang Shaxi Hotel ("瀋陽沙溪國際酒店用品博覽中心有限公司")	PRC, 10 June 2009	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Shenyang Shaxi Household ("瀋陽沙溪國際家居用品博覽中心有限公司")	PRC, 10 June 2009	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Shenyang Xinji Industrial ("瀋陽信基實業有限公司")	PRC, 13 May 2009	RMB90,000,000/ RMB90,000,000	100%	100%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Xinji Huazhan ("廣東信基華展展覽有限公司")	PRC, 12 December 2012	RMB10,000,000/ RMB3,000,000	51%	51%	80%	80%	80%	Exhibition services/the PRC	*(1)&(2)*
Guangzhou Xinji Dajing Electronic Commerce Company Limited ("廣州信基達境電子商務有限公司")	PRC, 30 December 2016	RMB2,900,000/ RMB2,900,000	N/A	N/A	60%	60%	60%	Online trading/the PRC	*(1)&(2)&(4)*

Company name	Country/place and date of incorporation/ establishment	Registered/Issued capital and paid-up capital	Attributable equity interest of the Group					Principal activities/ place of operation	Note
			31 December			30 April	As at the date of this report		
			2016	2017	2018	2019			
Guangzhou Xinji Dingshang Electronic Co., Ltd ("廣州信基鼎尚電子有限公司")	PRC, 20 September 2017	RMB1,000,000/ RMB57,000	N/A	N/A	60%	60%	60%	Online trading/the PRC	*(1)&(2) &(4)*
Guangdong Xinji Household ("廣東信基家居有限公司")	PRC, 14 November 2013	RMB10,000,000/ RMB7,522,174	100%	100%	100%	100%	100%	Leasing services/the PRC	*(1)&(2)*
Guangzhou Xinji Commerce Operation Management Co., Ltd ("廣州信基商業運營管理有限公司")	PRC, 30 January 2018	RMB1,000,000/ RMB550,000	N/A	N/A	55%	55%	55%	Management services/the PRC	*(1)&(2)*
Guangdong Xinji International Exhibition Co., Ltd ("廣東信基國際展覽有限公司")	PRC, 14 June 2018	RMB10,000,000/ RMB190,000	N/A	N/A	100%	100%	100%	Exhibition services/the PRC	*(1)&(2)*

Notes:

(1) All companies comprising the Group have adopted 31 December as their financial year end date.

(2) No statutory financial statements were available for each of the years ended 31 December 2016, 2017 and 2018 as these subsidiaries are not required to issue audited financial statements under the statutory requirement of their respective places of incorporation.

(3) No statutory financial statements have been prepared by Hong Kong Xinji Shaxi Hotel Supplies Development Limited as it was established on 28 August 2018.

(4) The subsidiaries were acquired by the Group during the year ended 31 December 2018.

The English names of some of the subsidiaries referred to above represent management's best efforts at translating the Chinese names of these subsidiaries as they do not have official English names.

1.3 Basis of presentation

The Controlling Shareholders collectively owned and controlled the Listing Business immediately prior to and after the Reorganisation. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company and its subsidiaries set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business and does not result in any changes in management of such business and the ultimate controlling shareholders of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business. For the purpose of this report, the Historical Financial Information of the Group is presented using the carrying values of the Listing Business for all period presented.

The Historical Financial Information of the Included Business of Panyu Real Estate during the Track Record Period was included in the following manner:

— Transactions and balances specifically identified as relating to the Included Business were consolidated in the Historical Financial Information;

  Expenses incurred by Panyu Real Estate that were not specifically identified as relating to the Included Business and comprised mainly general administrative expenses were allocated as appropriate as expenses of the Group.

— Current and deferred income taxes on profits attributable to the Included Business calculated on the above basis are provided for using the PRC corporate income tax rate of 25% during the relevant periods in accordance with the Group's accounting policies; and

— Inter-company transactions and balances between group companies including the Included Business were eliminated on consolidation.

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 to all the period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

As at 30 April 2019 the Group's current liabilities exceeded its current assets by RMB228,833,000. In addition, as at 30 April 2019, the Group's total bank borrowings amounted to RMB664,345,000, of which RMB92,909,000 were repayable within the next twelve months from 30 April 2019. Such liquidity shortfall was mainly attributable to certain of the Group's non-current assets including investment properties being financed mainly by the Group's internal funding and borrowings.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity position and financial performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. A number of measures have been put in place by the directors of the Company to further improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk:

(a) As at 30 April 2019, the Group had unutilised financing facilities of RMB400,000,000 which can be used to cover any shortfall liquidity in the next twelve months.

(b) Included in current liabilities was advance from customers of RMB84,018,000 and contract liabilities of RMB7,180,000 of which no future cash outflow is expected.

(c) Management has become more cost conscious and is reducing unnecessary expenditures to improve its operating cash flows.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the period ended 30 April 2019. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the period ended 30 April 2019. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of the Group's financing facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of banking facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the operational performance and the availability of the financing facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the period ended 30 April 2019. Accordingly, the historical financial information have been prepared on a going concern basis.

2.1.2 New and revised standards adopted

HKFRS 16, "Leases" is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group chooses to early adopt the standard and has applied HKFRS 16 consistently throughout the Track Record Period.

2.1.3 New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but not yet effective during the Track Record Period and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
HKAS 1 and HKAS 8	Disclosure Initiative-definition of Material	1 January 2020
HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when these new or revised standards and amendments become effective.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling shareholders.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling shareholders' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling shareholders' interest.

The consolidated income statements and the consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

Business combinations not under common control

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacities as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "other (losses)/gains — net".

(c) Group companies

The results and balance sheets of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of balance sheet;

(b) income and expenses for each income statement and statement of 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

(c) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Leases

The Group as a lessee

The Group mainly leases land use right and properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payment that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are initial measured at cost comprising the following:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs, and;

(d) restoration costs.

The right-of-use-assets are mainly recognised as investment properties and carried at fair value, which are determined at each reporting date by external valuers after initial recognition.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

The lease receivables under lease arrangements are recognised as "operating lease receivables" in the consolidated balance sheets.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("sublease lessor") to a third party, and the lease ("head lease") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.6 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Vehicles	3–5 years
Furniture and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Construction in progress represents the direct costs of construction incurred of property and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals of other property and equipment are determined by comparing the proceeds with the carrying amounts and are recognised within "Other (losses)/gains — net" in the consolidated income statement.

2.7 Intangible assets

Computer software

Acquired computer 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 (3 to 10 years). Costs associated with maintaining computer software programs are recognised as an expenses as incurred.

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. They also includes properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties at the date at which the leased asset is available for use by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, which are determined at each reporting date by external valuers. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions. Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development for sales are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 3 and 4 years since property development company obtain Construction Work Permit.

2.11 Inventories

Inventories mainly comprise of goods for e-commerce trade, which are stared at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Financial assets

2.12.1 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 entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or 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.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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 consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14 Impairment of financial assets and operating lease receivables

For operating lease receivables and trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Deposits and other receivables due from related parties, are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

For other receivables other than those from related parties, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarized below:

- The receivable is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis. When measuring expected credit loss, the Group considers forward-looking information.

2.15 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Bank deposit which are restricted to use are included in "restricted cash" of the consolidated balance sheet.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the territories where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheets date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) *Offsetting*

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

2.20 Employee benefits

Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC governments.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Housing funds, medical insurance and other social insurance

Employee of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds are limited to the contribution payable in each year.

Employee leave entitlements

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 balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue

(i) Operating lease rental income

It refers to revenue received by the Group from provision of leases for tenants who signed up lease contracts to run business at its owned/leased portfolio shopping malls. Operating lease rental income is recognised on a straight-line basis over the period of the lease.

(ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

(iii) Exhibition management service

Revenue arising from exhibition management service is recognised in the accounting period in which the services are rendered. The Group recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

(iv) Sales of goods

Revenues from sales of goods are the revenue obtained from sales of hotel suppliers and home furnishing products, and are recognised when the control of the goods are transferred to the customer. Control of the goods is transferred at point in time when the customer obtains the physical possession of the goods and the Group has present right to payment.

2.23 Interest income

Interest income is recognised on time-proportion basis using the effective interest method.

2.24 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.25 Dividend distribution

Dividend distribution to the group companies' shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the group companies' shareholders or board of directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and 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 of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than RMB, except that as at 30 April 2019, the Group has bank balance of RMB41,704,000 denominated in HK$. If RMB had strengthened/weakened by 2% against HK$, the net profit of the Group for the four months ended 30 April 2019 would have been approximately RMB626,000 lower/higher.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from borrowings with variable rates. Borrowings at floating rates expose the Group to cash flow interest rate risk; borrowings at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

At 31 December 2016, 2017, 2018 and 30 April 2019, if interest rates on borrowings at variable rates had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the relevant year/period then ended would have been RMB3,275,000, RMB9,888,000, RMB6,714,000 and RMB2,214,000 lower/higher, mainly as a result of more/less interest expenses on borrowings at variable rates.

(b) Credit risk

Credit risk arises from cash at banks, operating lease and trade receivables and other receivables.

The carrying amounts of deposits placed with banks and receivables included in the Historical Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage the credit risk, bank deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions. The Group's bank deposits as at 31 December 2016, 2017, 2018 and 30 April 2019 are as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Big four commercial banks *(Note (i))*	4,680	2,049	4,068	4,042
Other listed banks	10,812	2,924	902	61,453
Other non-listed banks	46,209	17,441	4,958	3,059
	61,701	22,414	9,928	68,554

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

Operating lease and trade receivables arising from the Group's long-term lease arrangements are recorded as part of the Group's operating lease and trade receivables in the consolidated balance sheet. Lease arrangements are normally entered into with customers with proper credit history. Different credit assessment procedures including background search and obtaining credit reports issued by independent credit information service providers are conducted by the Group, where applicable. The Group normally requires the lessee to place certain amount of deposit at the inception of the lease arrangement as guarantee for the timely performance of the lessee over the lease term. Additional guarantee may be required for certain customers with poor credit history when necessary. In the event of late payment, the Group is entitled to charge interest or penalty at the default rate on any part of lease rental not paid when due until the same shall be paid. In the circumstances when the lessee fails to perform under the lease contract, the Group is able to cancel the lease contract. The directors of the Company believe the credit risk of the Group's lease receivables are properly managed.

There is no significant concentration of the Group's credit losses as no individual balance of operating lease receivables exceeding 10% of the Group's total operating lease receivables as at 31 December 2016, 2017, 2018 and 30 April 2019. During the years ended 31 December 2016, 2017, 2018 and the four months ended 30 Aril 2019, no revenue from a single customer accounted for more than 10% of the Group's total revenue.

For other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Operating lease and trade receivables

The Group measures the loss allowance provision of operating lease and trade receivables according to the amount of expected credit losses equivalent to the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

The loss allowance provision of operating lease receivables as at 31 December 2016, 2017, 2018 and 30 April 2019 is determined as follows, the expected credit losses below also incorporate forward looking information.

	As at 31 December 2016		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	5,173	—
Doubtful *(b)*	10%	31,360	3,136
In default *(c)*	100%	215	215
Total	9%	36,748	3,351

	As at 31 December 2017		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	12,819	—
Doubtful *(b)*	10%	25,540	2,554
In default *(c)*	100%	1,396	1,396
Total	10%	39,755	3,950

	As at 31 December 2018		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	16,981	—
Doubtful *(b)*	10%	18,000	1,800
In default *(c)*	100%	1,815	1,815
Total	10%	36,796	3,615

	As at 30 April 2019		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	12,995	—
Doubtful *(b)*	10%	14,870	1,487
In default *(c)*	100%	1,077	1,077
Total	9%	28,942	2,564

The loss allowance provision of trade receivables as at 31 December 2016, 2017, 2018 and 30 April 2019 is determined as follows, the expected credit losses below also incorporate forward looking information.

	As at 31 December 2016		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	1,531	—
Doubtful *(b)*	11%	2,705	286
Total	7%	4,236	286

	As at 31 December 2017		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	1,348	—
Doubtful *(b)*	17%	2,392	418
Total	11%	3,740	418

	As at 31 December 2018		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	1,926	—
Doubtful *(b)*	12%	6,898	797
Total	9%	8,824	797

	As at 30 April 2019		
Credit risk rating	**Default loss rate**	**Gross carrying**	**Loss allowance**
		RMB'000	*RMB'000*
Normal *(a)*	close to zero	606	—
Doubtful *(b)*	14%	3,894	564
Total	13%	4,500	564

(a) Normal represented receivables from regular customers which have a low risk of default and a strong capacity to meet contractual cash flows.

(b) Doubtful represented receivables from customers which there is an increase in credit risk.

(c) In default represented receivables from the customers which have a high risk of default and at a terrible operating situation.

The loss rate is calculated based on the historical actual credit losses, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

(ii) Other receivables and amounts due from related parties.

Other financial assets at amortised cost include other receivables from third parties and amounts due from related parties.

Management considered amounts due from related parties and other receivables which are deposit in nature, such as deposits for construction projects and lease contracts to be low credit risk as the counterparties have a low risk of default and a strong capacity to meet their contractual cash flow obligations in the near term and no loss allowance provision is made for these other receivables during the period.

To measure the expected credit losses of other receivables other than amount due from related parties and deposits, other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applies either 12-month ECL or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

For the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, the average expected loss rate on the gross carrying amount of other receivables excluding amounts due from related parties and deposits was 4%, 8%, 2% and 9%, respectively.

(iii) Written off loss allowance

Operating lease and trade receivables and other receivables are written off when there is no reasonable expectation of recovery.

(iv) Loss allowance provision movement

During the years ended 31 December 2016, 2017, 2018 and the four months end 30 April 2019, the loss allowance provision movement of operating lease and trade receivables and other receivables are as follows:

	Operating lease receivables	Trade receivables	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2016	782	51	127	960
Provision for loss allowance recognised in profit or loss for the year	3,957	235	78	4,270
Written off loss allowance for the year	(1,388)	—	(4)	(1,392)
Balance as at 31 December 2016	3,351	286	201	3,838

	Operating lease receivables	Trade receivables	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2017	3,351	286	201	3,838
Provision for loss allowance recognised in profit or loss for the year	1,854	132	204	2,190
Written off loss allowance for the year	(1,255)	—	—	(1,255)
Balance as at 31 December 2017	3,950	418	405	4,773

	Operating lease receivables *RMB'000*	Trade receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
Balance as at 1 January 2018	3,950	418	405	4,773
Provision/(reverse) for loss allowance recognised in profit or loss for the year	154	379	(258)	275
Written off loss allowance for the year	(489)	—	—	(489)
Balance as at 31 December 2018	3,615	797	147	4,559

	Operating lease receivables *RMB'000*	Trade receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
Balance as at 1 January 2019	3,615	797	147	4,559
Provision/(reverse) for loss allowance recognised in profit or loss for the period	271	(233)	79	117
Written off loss allowance for the period	(1,322)	—	—	(1,322)
Balance as at 30 April 2019	2,564	564	226	3,354

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 28) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets. The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial liabilities and lease liabilities based on contractual undiscounted cash flows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016					
Borrowings (including interests)	527,361	46,582	1,843	—	575,786
Amounts due to related parties	125,874	—	—	—	125,874
Lease liabilities	14,313	15,029	49,748	168,235	247,325
Trade and other payables (excluding salary payables and other tax liabilities)	261,009	14,308	10,432	463	286,212
	928,557	75,919	62,023	168,698	1,235,197

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Borrowings (including interests)	222,201	177,742	464,384	431,517	1,295,844
Amounts due to related parties	1,786	—	—	—	1,786
Lease liabilities	15,029	15,781	51,627	150,576	233,013
Trade and other payables (excluding salary payables and other tax liabilities)	286,687	6,545	12,367	471	306,070
	525,703	200,068	528,378	582,564	1,836,713

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Borrowings (including interests)	138,665	149,761	305,226	256,866	850,518
Amounts due to related parties	56,379	—	—	—	56,379
Lease liabilities	21,303	22,368	59,687	132,034	235,392
Trade and other payables (excluding salary payables and other tax liabilities)	125,202	7,962	18,409	90	151,663
	341,549	180,091	383,322	388,990	1,293,952

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2019					
Borrowings (including interests)	133,595	147,699	301,593	242,327	825,214
Amounts due to related parties	5,026	—	—	—	5,026
Lease liabilities	18,450	23,491	60,395	119,055	221,391
Trade and other payables (excluding salary payables and other tax liabilities)	110,920	9,746	19,126	181	139,973
	267,991	180,936	381,114	361,563	1,191,604

Interests are calculated on borrowings held as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital represented total equity as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2016, 2017, 2018 and 30 April 2019 were as follows:

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(Note 28)*	547,832	1,028,842	671,464	664,345
Less: cash and cash equivalents	(61,955)	(22,637)	(11,283)	(68,862)
restricted cash	(82,000)	—	—	—
Net debts	403,877	1,006,205	660,181	595,483
Equity	1,517,932	1,517,442	1,475,825	1,558,890
Gearing ratio	27%	66%	45%	38%

The decrease in gearing ratio as of 30 April 2019 as compared to 31 December 2018 is mainly due to increase in cash and cash equivalents and equity.

The decrease in gearing ratio as of 31 December 2018 as compared to 31 December 2017 is mainly due to decrease in borrowings during the year ended 31 December 2018.

The increase in gearing ratio as of 31 December 2017 as compared to 31 December 2016 is mainly attributable to additional borrowings while the equity remains relatively stable.

3.3 Fair value measurement

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. The Group have no Level 1 and 2 financial instruments as at 31 December 2016, 2017, 2018 and 30 April 2019. An explanation of level 3 follows underneath the table.

	Level 3			
Recurring fair value measurements	**As at 31 December**			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through other comprehensive income *(Note 20)*	12,520	16,681	—	—
Total financial assets	12,520	16,681	—	—

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the tracking record period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

The fair value of financial assets at fair value through other comprehensive income is determined using the quoted market prices or dealer quotes for similar instruments.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019:

	As at December 31			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance	21,571	12,520	16,681	—
Disposal	—	—	(15,000)	—
Fair value changes recognised in other comprehensive income	(9,051)	4,161	(1,681)	—
Closing balance	12,520	16,681	—	—

(iv) Valuation processes

The Group measures its financial assets at fair value through other comprehensive income at fair value. The level 3 financial assets were revaluated by an independent qualified valuer not related to the Group, who hold recognised relevant professional qualification.

The main Level 3 input used by the Group for financial assets at fair value through other comprehensive income pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Significant unobservable inputs	Valuation approach	Unobservable inputs As at 31 December		
		2016	2017	2018
Marketability Discount	Market approach	30%	30%	30%

If the marketability discount of the financial asset at fair value through other comprehensive income held by the Group had been five percentage points higher/lower, the total comprehensive income for the years ended 31 December 2016 and 2017 would have been approximately RMB671,000 lower/higher and RMB894,000 lower/higher, respectively.

(v) Fair value of other financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Cash and cash equivalents
- Restricted cash
- Other receivables and deposits
- Trade and other payables
- Borrowings
- Amounts due from/to related parties

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

	Level 3			
	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties *(note 16)*	2,740,060	2,874,370	2,890,230	2,932,840

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the tracking period.

(ii) Valuation techniques used to determine fair values

Fair values of completed investment properties are generally derived using the income capitalisation method and comparison method. The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. The comparison method is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As at 31 December 2016, 2017, 2018 and 30 April 2019, all investment properties are included in level 3 fair value hierarchy.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to Note 16 for the changes in level 3 items for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019 recurring fair value measurement.

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value as at 31 December 2016 *RMB'000*	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Completed investment properties	1,302,500	Comparison method	Market price (RMB/square meter)	9,000 to 14,000
	1,409,090	Income capitalisation	Market rents (RMB/ square meter/month)	24 to 150
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,470	Comparison method	Market price (RMB/square meter)	350 to 420

	Fair value as at 31 December 2017 *RMB'000*	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Completed investment properties	1,431,300	Comparison method	Market price (RMB/square meter)	10,000 to 15,000
	1,414,600	Income capitalisation	Market rents (RMB/ square meter/month)	30 to 164
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,470	Comparison method	Market price (RMB/square meter)	350 to 420

	Fair value as at 31 December 2018 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	1,440,100	Comparison method	Market price (RMB/square meter)	10,000 to 15,000
	1,421,760	Income capitalisation	Market rents (RMB/ square meter/month)	20 to 189
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,370	Comparison method	Market price (RMB/square meter)	350 to 420

	Fair value as at 30 April 2019 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	1,440,100	Comparison method	Market price (RMB/ square meter)	10,000 to 15,000
	1,464,370	Income capitalisation	Market rents (RMB/ square meter/month)	30 to 204
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,370	Comparison method	Market price (RMB/ square meter)	350 to 420

There are inter-relationships between unobservable inputs. The higher the market price, the higher the fair value.

Capitalisation and discount rates are estimated by the independent valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Valuation processes

The Group measures its investment properties at fair value. The investment properties were revalued by an independent valuer, who have recent experience in the locations and segments of the investment properties valued, at 31 December 2016, 2017, 2018 and 30 April 2019. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management, the valuation team and valuers at least once every year.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

4 Critical accounting estimates and judgments

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 addressed below.

(a) Estimates for fair value of investment properties and financial assets at fair value through other comprehensive income

The Group assesses the fair value of its investment properties and financial assets at fair value through other comprehensive income based on valuations determined by independent and professional qualified valuer. Significant judgment and assumptions are required in assessing the fair value of the investment properties and financial assets at fair value through other comprehensive income. Details of the judgment and assumptions are disclosed in note 3.3.

(b) Impairment of receivables

The Group records impairment of receivables based on expected credit losses. Provisions are applied where events or changes in circumstances indicate that the balances may subject to credit losses. Impairment assessment requires the use of significant judgement and estimates. Management reassesses the provision at each balance sheet date. Where the expectation is different from the original estimate, such difference will impact both the expected credit losses of operating lease and trade receivables and other receivables, and the impairment charge in the period in which such estimate has been changed. Based on the Group's assessment on the credit losses of operating lease and trade receivables and other receivables, impairment provision of RMB4,270,000, RMB2,190,000, RMB275,000 and RMB117,000 were made during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019.

(c) Current income tax and deferred tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and 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 it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 Segment information

The Executive Directors of the Company have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

The Group is principally engaged in managing owned/leased portfolio shopping mall which derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them in the PRC. Management 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 regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the Track Record Period.

As at 31 December 2016, 2017, 2018 and 30 April 2019, all of non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer that accounted for 10% or more of the Group's revenues during the Track Record Period.

6 Revenue

Revenue of the Group for each of the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019 are as follow:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income:					
— Properties lease income	178,549	183,295	243,949	74,744	80,629
Revenue from contracts with customers:					
— Sales of goods (a)	—	—	7,858	—	3,430
— Exhibition management service (b)	6,235	5,509	5,697	—	—
— Properties management service (b) & (c)	23,942	21,064	23,851	6,203	8,134
	30,177	26,573	37,406	6,203	11,564
	208,726	209,868	281,355	80,947	92,193

(a) Revenue generated from sales of goods is recognised at a point in time when the customer obtains control of the asset.

(b) Revenue generated from exhibition management and properties management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

(c) The following table shows unsatisfied performance obligations resulting from fixed-price long-term property management services contracts:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate amount of the transaction price allocated to long-term property management services contracts that the performance obligations of which are partially or fully unsatisfied at the end of each year/period				
Expected to be recognised over one year	15,857	19,473	27,180	30,495
Expected to be recognised within one year	16,715	13,805	19,348	21,980
	32,572	33,278	46,528	52,475

The amount disclosed above does not include any variable consideration.

For exhibition management service, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective years/period.

7 Expenses by nature

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Marketing and advertising costs	45,681	24,871	9,322	3,682	4,539
Employee benefit expenditure *(Note 10)*	22,023	26,397	26,475	8,440	9,229
Employee benefit expenditure — including directors' emoluments	23,248	27,096	26,961	8,590	9,391
Less: capitalised in properties under development for sales and investment properties under construction	(1,225)	(699)	(486)	(150)	(162)
Exhibition expenses	3,866	4,327	4,693	174	170
Listing expenses	—	—	14,707	4,138	7,166
Cost of sales of goods	—	—	5,225	—	2,453
Tax and other levies	9,541	9,057	6,932	2,339	2,027
Entertainment expenses	4,156	3,792	1,058	418	293
Electricity and water cost	4,958	3,775	4,517	2,744	2,172
Property maintenance expenses	3,443	5,907	6,818	653	996
Legal and professional expenses	675	956	1,562	679	761
Depreciation *(Note 15)*	994	904	534	207	244
Amortisation *(Note 17)*	69	323	417	122	222
Donation	185	194	170	—	—
Other expenses	8,092	8,434	8,407	3,656	2,908
Total cost, selling and marketing expenses and administrative expenses	103,683	88,937	90,837	27,252	33,180

8 Other income

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividend income from financial assets at fair value through other comprehensive income	1,650	1,275	1,275	—	—
Compensation for demolition (a)	—	—	65,545	—	—
Other service income	971	971	961	320	—
Commission income due to amendment of rental contracts	316	600	670	187	132
Forfeiture of advances received from customers	234	751	560	82	444
Others	534	290	313	75	1,133
	3,705	3,887	69,324	664	1,709

(a) The government of Guangzhou Panyu District entered into an agreement with Guangzhou Shaxi Hotel for compensation of the removal of part of the investment properties in order to develop the Guangzhou Shaxi metro station in July 2018. During the year ended 31 December 2018, RMB65,545,000 was recognised as other income for compensation of the removal.

9 Other (losses)/gain – net

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Gain on disposals of property and equipment *(Note 15)*	—	—	192	—	—
Exchange loss	—	—	—	—	(104)
Compensation paid	(866)	(26)	—	—	—
Others	(258)	(87)	(102)	—	—
	(1,124)	(113)	90	—	(104)

10 Employee benefit expenses

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonus	15,043	18,585	19,525	6,183	6,994
Pension costs — defined contribution plans *(Note a)*	2,346	2,885	2,827	1,263	1,397
Other social security costs, housing benefits and other employee benefit	5,859	5,626	4,609	1,144	1,000
	23,248	27,096	26,961	8,590	9,391
Less: capitalised in properties under development for sales and investment properties under construction	(1,225)	(699)	(486)	(150)	(162)
	22,023	26,397	26,475	8,440	9,229

(a) Pension costs — defined contribution plans

As stipulated by the rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans at rates of approximately 14% to 20% of the basic salaries of its employees in the PRC and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(b) Five highest paid individuals

The five highest paid individuals include 0, 2, 3, 3 and 4 directors for each of the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019 respectively. The emoluments paid and payable to the remaining 5, 3, 2, 2 and 1 individuals for each of the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonus	774	645	480	182	147
Social security contributions	158	134	74	35	18
Housing benefits and other employee benefits	34	31	16	8	4
	966	810	570	225	169

The emoluments fell within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Emolument bands (in HK dollar)					
Nil — HK$100,000	—	—	—	—	—
HK$100,001 — HK$200,000	2	—	—	2	1
HK$200,001 — HK$500,000	3	3	2	—	—

During the Track Record Period, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

11 Finance income and finance expenses

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance income:					
— Interest income from bank deposits	(528)	(1,205)	(34)	(8)	(42)
— Interest income from related parties	—	(27,969)	(40,164)	(16,402)	—
	(528)	(29,174)	(40,198)	(16,410)	(42)
Finance expenses:					
— Leasing finance expenses	9,792	9,556	9,179	3,073	3,267
— Interest expenses	41,936	55,662	68,734	22,433	15,075
— Less: capitalised interest	(13,451)	(86)	(170)	(167)	(181)
	38,277	65,132	77,743	25,339	18,161
Finance expenses — net	37,749	35,958	37,545	8,929	18,119

12 Income tax expense

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax					
— PRC corporate income tax	13,900	22,912	40,260	10,341	13,196
Deferred income tax *(Note 29)*	25,426	25,701	57,873	36,122	4,025
Income tax expense	39,326	48,613	98,133	46,463	17,221

(a) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at tax rate of 25% during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019.

(b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 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%.

(c) Cayman Islands income tax

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(d) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the Track Record Period.

(e) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rates applicable to profits or losses of the consolidated entities as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	114,773	137,397	348,359	167,937	44,526
Tax calculated at tax rates applicable to profits or losses in the respective countries or regions	28,693	34,349	87,090	41,984	11,132
Tax effects of:					
Expenses not deductible for tax purposes	2,784	2,915	1,362	462	1,960
Tax losses for which no deferred income tax asset was recognised	8,261	11,667	10,000	4,017	4,129
Income not subject to tax	(412)	(318)	(319)	—	—
Income tax expense	39,326	48,613	98,133	46,463	17,221

13 Earnings per share

(a) Basic

For the purpose of computing the basic earnings per share, the 40,260 ordinary shares allotted to the ultimate controlling shareholders (see note 23) were assumed to have been issued and allotted on 1 January 2016 as if the Company has been incorporated at that date.

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Profit attributable to owners of the Company *(RMB'000)*	58,951	76,910	189,213	84,524	28,174
Weighted average number of ordinary shares in issue *(thousands)*	40.26	40.26	41.68	40.26	51.97
Basic earnings per share *(RMB)*	1,464	1,910	4,540	2,099	542

The earnings per share has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 3 October 2019, as the proposed capitalisation issue has not been effected as at the date of this report.

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019. Diluted earnings per share are the same as the basic earnings per share.

14 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019.

15 Property and equipment

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2016				
Cost	—	6,173	2,941	9,114
Accumulated depreciation	—	(4,355)	(2,394)	(6,749)
Net book amount	—	1,818	547	2,365
Year ended 31 December 2016				
Opening net book amount	—	1,818	547	2,365
Additions	—	—	223	223
Depreciation charges	—	(730)	(264)	(994)
Closing net book amount	—	1,088	506	1,594
At 31 December 2016				
Cost	—	6,173	3,164	9,337
Accumulated depreciation	—	(5,085)	(2,658)	(7,743)
Net book amount	—	1,088	506	1,594

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Year ended 31 December 2017				
Opening net book amount	—	1,088	506	1,594
Additions	—	—	712	712
Depreciation charges	—	(503)	(401)	(904)
Closing net book amount	—	585	817	1,402
At 31 December 2017				
Cost	—	6,173	3,876	10,049
Accumulated depreciation	—	(5,588)	(3,059)	(8,647)
Net book amount	—	585	817	1,402

	Leased office buildings	Vehicles	Furniture, fittings and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Opening net book amount	—	585	817	1,402
Additions	—	—	51	51
Disposals	—	(45)	(4)	(49)
Depreciation charges	—	(166)	(368)	(534)
Closing net book amount	—	374	496	870
At 31 December 2018				
Cost	—	5,245	3,734	8,979
Accumulated depreciation	—	(4,871)	(3,238)	(8,109)
Net book amount	—	374	496	870

	Leased office buildings	Vehicles	Furniture, fittings and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2019				
Opening net book amount	—	374	496	870
Additions	1,028	—	95	1,123
Depreciation charges	(114)	(86)	(44)	(244)
Closing net book amount	914	288	547	1,749
At 30 April 2019				
Cost	1,028	5,245	3,829	10,102
Accumulated depreciation	(114)	(4,957)	(3,282)	(8,353)
Net book amount	914	288	547	1,749

	Leased office buildings	Vehicles	Furniture, fittings and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2018 (Unaudited)				
Opening net book amount	—	585	817	1,402
Additions	—	—	11	11
Depreciation charges	—	(71)	(136)	(207)
Closing net book amount	—	514	692	1,206
At 30 April 2018				
Cost	—	6,173	3,887	10,060
Accumulated depreciation	—	(5,659)	(3,195)	(8,854)
Net book amount	—	514	692	1,206

Depreciation of property and equipment were charged to the consolidated income statements as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Administrative expenses	882	803	450	177	214
Selling and marketing costs	112	101	84	30	30
	994	904	534	207	244

16 Investment properties

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Opening net book amount	2,611,670	2,740,060	2,874,370	2,874,370	2,890,230
Additions (a)	74,714	83,384	29,863	2,681	40,285
Capitalised interests	4,508	86	170	167	181
Deemed distribution to the then shareholders of the Group (b)	—	—	(140,420)	—	—
Fair value changes	49,168	50,840	126,247	121,372	2,144
Closing net book amount (c)	2,740,060	2,874,370	2,890,230	2,998,590	2,932,840
Analysis of investment properties:					
— properties on land use right certificates owned by the Group	1,467,540	1,594,240	1,468,470	1,592,760	1,468,470
— properties on the right of use assets	1,272,520	1,280,130	1,421,760	1,405,830	1,464,370
	2,740,060	2,874,370	2,890,230	2,998,590	2,932,840

Amounts recognised in profit or loss for investment properties

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income	178,549	183,295	243,949	74,744	80,629

(a) The additions included employee benefit expenses capitalised in investment properties (Note 10).

(b) This represented investment properties owned by the Included Business of Panyu Real Estate, a company controlled by the ultimate controlling shareholders (note 1.2(vi)). As Panyu Real Estate ceased to operate the Included Business on 1 December 2018 and such business was then taken up by the Group, the assets and liabilities of the Included Business was derecognised from the Group's consolidated financial information as deemed distribution to the then shareholders. Such investment properties were leased back to the Group pursuant to a lease agreement dated 1 December 2018 under a three-year term contract. The right-of-use asset amounting to RMB15,802,000 was treated as an addition of investment properties during the year ended 31 December 2018.

(c) As at 31 December 2016 and 2017, investment properties of RMB142,500,000 and RMB34,933,000 were pledged as collateral for the related parties' borrowings respectively. As at 31 December 2016, 2017, 2018 and 30 April 2019 investment properties of RMB1,311,720,000, RMB1,476,471,000, RMB1,440,100,000 and RMB1,440,100,000 were pledged as collateral for the Group's borrowings.

17 Intangible assets

	Software
	RMB'000
At 1 January 2016	
Cost	392
Accumulated amortisation	(244)
Net book amount	148
Year ended 31 December 2016	
Opening net book amount	148
Additions	775
Amortisation charges	(69)
Closing net book amount	854
At 31 December 2016	
Cost	1,167
Accumulated amortisation	(313)
Net book amount	854
Year ended 31 December 2017	
Opening net book amount	854
Additions	427
Amortisation charges	(323)
Closing net book amount	958
At 31 December 2017	
Cost	1,594
Accumulated amortisation	(636)
Net book amount	958
Year ended 31 December 2018	
Opening net book amount	958
Additions	433
Amortisation charges	(417)
Closing net book amount	974
At 31 December 2018	
Cost	2,027
Accumulated amortisation	(1,053)
Net book amount	974

	Software
	RMB'000
Four months ended 30 April 2019	
Opening net book amount	974
Additions	29
Amortisation charges	(222)
Closing net book amount	781
At 30 April 2019	
Cost	2,057
Accumulated amortisation	(1,276)
Net book amount	781
Four months ended 30 April 2018 (Unaudited)	
Opening net book amount	958
Amortisation charges	(122)
Closing net book amount	836
At 30 April 2018	
Cost	1,593
Accumulated amortisation	(757)
Net book amount	836

Amortisation of intangible assets were charged to the consolidated income statements as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Administrative expenses	69	323	417	122	222

18 Properties under development for sale

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development for sale expected to be completed:				
— Within normal operating cycle included under current assets	165,102	—	—	—
	165,102	—	—	—
Properties under development for sale comprise:				
— Construction costs	36,387	—	—	—
— Land use rights	109,944	—	—	—
— Capitalised interests	18,771	—	—	—
	165,102	—	—	—

Properties under development for sale are all located in the PRC.

During the year ended 31 December 2016, capitalisation rates of the borrowings is 7.64%.

As at 31 December 2016, properties under development for sale of RMB165,102,000 were pledged as collateral for the Group's borrowings.

Before October 2017, the Group's property under development for sale was owned by Shenyang Xinji industrial, a 100% subsidiary of the Group. On 12 October 2017, Shenyang Xinji industrial effected a demerger under which the property development business was detached from Shenyang Xinji Industrial and distributed to an entity controlled by the ultimate controlling shareholders. Since then, the Group no longer owns any property under development for sale (See Note 24).

19 Financial instruments by categories

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost:				
— Trade receivables and other receivables (excluding prepayments and input VAT to be deducted)	12,891	11,466	21,950	12,809
— Amounts due from related parties	17,464	536,288	94,990	9,169
— Restricted cash	82,000	—	—	—
— Cash and cash equivalents	61,955	22,637	11,283	68,862
Financial assets at fair value through other comprehensive income	12,520	16,681	—	—
	186,830	587,072	128,223	90,840
Financial liabilities				
Financial liabilities at amortised cost:				
— Trade and construction contract payables	206,351	243,856	68,001	82,945
— Other payables (excluding VAT payables, salary payables and other tax liabilities)	77,285	59,839	80,602	54,468
— Amounts due to related parties	125,874	1,786	56,379	5,026
— Borrowings	547,832	1,028,842	671,464	664,345
Lease liabilities	154,597	149,851	160,502	156,232
	1,111,939	1,484,174	1,036,948	963,016

20 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include the following classes of financial assets:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted securities				
— Equity securities	12,520	16,681	—	—
	12,520	16,681	—	—

The Group's financial assets at fair value through other comprehensive income comprised investment of a 6.52% equity interest in Foshan Loan Company, a company incorporated in the PRC and principally engaged in money lending business. Such investment was disposed to a related company on 24 August 2018 at cash consideration of RMB15,000,000.

Information about the methods and assumptions used in determining fair value is provided in note 3.3.

All financial assets at fair value through other comprehensive income are denominated in RMB.

21 Operating lease and trade receivables and other receivables

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group:				
Operating lease receivables	36,748	39,755	36,796	28,942
Less: allowance for impairment of operating lease receivables	(3,351)	(3,950)	(3,615)	(2,564)
Operating lease receivables — net	33,397	35,805	33,181	26,378
Trade receivables	4,236	3,740	8,824	4,500
Less: allowance for impairment of trade receivables	(286)	(418)	(797)	(564)
Trade receivables — net	3,950	3,322	8,027	3,936
Other receivables	8,666	8,549	14,070	9,099
Less: allowance for impairment of other receivables	(201)	(405)	(147)	(226)
Other receivables — net	8,465	8,144	13,923	8,873
Prepaid listing expense	—	—	3,740	5,279
Prepaid tax and other levies	2,442	1,160	1,165	969
Other prepayments	730	7,051	3,592	4,417
Input VAT available for future deduction	1,386	1,044	2,536	3,168
Interest receivables	476	—	—	—
	50,846	56,526	66,164	53,020
The Company:				
Prepaid listing expense	—	—	3,740	5,279

The aging analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	4,236	3,740	8,824	4,500

The maximum exposure to credit risk at 31 December 2016, 2017, 2018 and 30 April 2019 is the credit losses of each class of receivables mentioned above.

22 Cash and cash equivalents and restricted cash

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash *(Note (a))*				
— RMB	82,000	—	—	—
Cash and cash equivalents				
— Cash on hand				
— RMB	254	223	1,355	308
— Cash at banks *(Note (b))*				
— RMB	61,701	22,414	9,928	26,850
— HK$	—	—	—	41,704
	61,955	22,637	11,283	68,862
	143,955	22,637	11,283	68,862

(a) Restricted cash balance represented deposits placed in a bank as collateral for the Group's bank borrowings.

(b) Cash at banks bore effective interest rates per annum of approximately 0.34%, 0.30%, 0.30% and 0.30% as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

23 Share capital

As at 31 December 2018 and 30 April 2019, the Company has authorised share capital of 38,000,000 shares at par value of HK$0.01 each.

An analysis of the Company's issued share capital as at 31 December 2018 and 30 April 2019 are as follow:

	Number of ordinary shares	Nominal value of ordinary shares *HK$*	Equivalent nominal value of ordinary shares *RMB*	Share premium *RMB*	Total *RMB*
As at 31 December 2018					
Shares issued to entities owned and controlled by the ultimate controlling shareholders	40,260	403	353	—	353
Shares issued to entities owned and controlled by non-controlling shareholders of certain subsidiaries	9,740	97	86	—	86
Total	50,000	500	439	—	439
As at 30 April 2019					
Shares issued to entities owned and controlled by the ultimate controlling shareholders	37,628	376	330	—	330
Shares issued to entities owned and controlled by non-controlling shareholders of certain subsidiaries	9,740	97	86	—	86
Shares issued to an investor *(note (i))*	5,264	53	45	55,759,978	55,760,023
Total	52,632	526	461	55,759,978	55,760,439

(i) On 30 January 2019, the Company issued 2,632 new shares to an investor at cash consideration of RMB55,760,000 (equivalent to HK$65,000,000). The difference between nominal value and the consideration amounting to approximately RMB55,760,000 was recognised as an increase of share premium of the Company. At the same date, the investor entered into an agreement with the ultimate controlling shareholders under which the investor acquired 2,632 shares from the ultimate controlling shareholders at cash consideration of HK$65,000,000.

24 Other reserves

	Merger and other reserves	Financial assets at fair value through other comprehensive income	Statutory reserves	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (a))*	*RMB'000*
At 1 January 2016	145,172	4,928	31,982	182,082
Change in fair value, net of tax	—	(6,788)	—	(6,788)
At 31 December 2016	145,172	(1,860)	31,982	175,294
At 1 January 2017	145,172	(1,860)	31,982	175,294
Deemed distributions to the then shareholders of the Group *(Note (b))*	(133,195)	—	—	(133,195)
Contribution from the then shareholders of the Group *(Note (c))*	40,800	—	—	40,800
Change in fair value, net of tax	—	3,121	—	3,121
At 31 December 2017	52,777	1,261	31,982	86,020
At 1 January 2018	52,777	1,261	31,982	86,020
Changes in ownership interests in subsidiaries without change of control *(Note (34))*	411,050	—	—	411,050
Deemed distributions to the then shareholders of the Group *(Note (d))*	(272,884)	—	—	(272,884)
Change in fair value, net of tax	—	(1,261)	—	(1,261)
At 31 December 2018	190,943	—	31,982	222,925
At 1 January 2019 and 30 April 2019	190,943	—	31,982	222,925
At 1 January 2018 (Unaudited)	52,777	1,261	31,982	86,020
Deemed distributions to the then shareholders of the Group *(Note(e))*	(2,000)	—	—	(2,000)
Change in fair value, net of tax	—	(190)	—	(190)
At 30 April 2018	50,777	1,071	31,982	83,830

(a) In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC now comprising the Group, certain of the group companies are required to appropriate 10% of the annual net profits of the companies incorporated in the PRC now comprising the Group, after offsetting any prior years' losses as determined under the applicable PRC accounting standards, to the statutory surplus reserve fund before distributing any net profits. When the balance of the statutory surplus reserve fund reaches 50% of the registered capitals of the respective group companies, any further appropriation is at the discretion of the shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capitals of the respective group companies.

(b) During the year ended 31 December 2017, details of the deemed distribution were as follow:

(i) On 12 October 2017, Shenyang Xinji Industrial effected a demerger under which the property development business was detached from Shenyang Xinji Industrial and distributed to the ultimate controlling shareholders. The net assets related to the property development business amounting to RMB15,195,000 was treated as a deemed distribution to the then shareholders of the Group (See Note 18).

(ii) Cash consideration paid to the ultimate controlling shareholders for acquiring the equity interests of the Group's subsidiary, Shenyang Xinji Industrial, from the ultimate controlling shareholders of RMB118,000,000 (note 1.2(i)).

(c) On 22 March 2017, Guangzhou Shaxi Hotel disposed of its 51% equity interest in Guangzhou Wanhua Hotel to a company owned by the ultimate controlling shareholders at cash consideration of RMB40,800,000.

(d) During the year ended 31 December 2018, deemed distribution comprised:

(i) Cash consideration paid to the ultimate controlling shareholders for acquiring the equity interests of the Group's subsidiaries, Guangdong Xinji Household, Xinji Huazhan, Shenyang Shaxi Hotel, Shenyang Shaxi Household and Guangzhou Wanhua Hotel, from the ultimate controlling shareholders totalling RMB88,808,000 (note 1.2(i)).

(ii) Cash consideration payable to the ultimate controlling shareholders for acquiring the equity interests of the Group's subsidiary, Guangzhou Shaxi Hotel, from the ultimate controlling shareholders totalling RMB52,343,000 (note 1.2(vii)).

(iii) Derecognition of the assets and liabilities of Panyu Real Estate which ceased to operate the Included Business on 1 December 2018 amounting to RMB131,733,000 (note 16).

(e) During the four months ended 30 April 2018, deemed distribution comprised:

(i) Cash consideration paid to the ultimate controlling shareholders for acquiring the equity interests of the Group's subsidiaries, Guangdong Xinji Household from the ultimate controlling shareholders totalling RMB2,000,000 (note 1.2(i)).

25 Retained earnings

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	928,658	987,609	1,064,519	1,064,519	1,253,732
Profit for the year/period attributable to owners of the Company	58,951	76,910	189,213	84,524	28,174
Balance at end of the year/period	987,609	1,064,519	1,253,732	1,149,043	1,281,906

26 Trade and other payables and lease liabilities

The Group

(i) Trade and other payables

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,150	495	3,121	1,410
Construction contract payables	205,201	243,361	64,880	81,535
Salary payables	4,888	8,932	10,992	10,379
Other tax liabilities	6,812	1,341	1,491	1,026
Deposits from tenants	34,177	38,401	40,745	41,780
Payable for acquisition of non-controlling interests *(note (a))*	—	—	22,439	—
Other payables	43,108	21,438	17,418	12,688
	295,336	313,968	161,086	148,818
Less: non-current portion				
Deposits from tenants	(22,752)	(17,397)	(25,334)	(29,053)
Current portion	272,584	296,571	135,752	119,765

(a) Amounts represented payable for acquisition of an additional 28.1% equity interests in Guangzhou Shaxi Hotel from the non-controlling shareholders (note (34)).

At 31 December 2016, 2017, 2018 and 30 April 2019, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	84,986	55,558	24,020	49,384
Over 1 year	121,365	188,298	43,981	33,561
	206,351	243,856	68,001	82,945

As at 31 December 2016, 2017, 2018 and 30 April 2019, trade payables and construction contract payables were denominated in RMB and their fair values approximated their carrying amounts.

(ii) Lease liabilities

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Balance at beginning of the year/period	158,426	154,597	149,851	149,851	160,502
Additions	—	—	15,802	—	1,028
Leasing finance expenses recognised	9,792	9,556	9,179	3,073	3,267
Settlement of lease liabilities	(13,621)	(14,302)	(14,330)	(1,631)	(8,565)
	154,597	149,851	160,502	151,293	156,232
Less: non-current portion	(140,751)	(136,456)	(141,217)	(134,821)	(140,829)
Current portion of lease liabilities	13,846	13,395	19,285	16,472	15,403

(a) The Group mainly leases land use right and properties. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use assets are presented as investment properties (Note 16) and property and equipment (Note 15).

The Company

Other payables of the Company mainly represented payables of professional fees incurred for the Listing.

27 Advance from customers

The Group recognised the following advance from customers related to operating lease business:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	147,544	121,743	103,304	84,018

The Group receives payments from leases based on billing schedules as established in the leasing contracts.

28 Borrowings

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings — Secured *(Note (b))*	114,707	988,842	671,464	664,345
Other borrowings — Secured *(Note (a))*	212,785	—	—	—
	327,492	988,842	671,464	664,345
Less: current portion of non-current borrowings	(280,517)	(119,389)	(92,659)	(92,909)
	46,975	869,453	578,805	571,436

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in current liabilities:				
Bank borrowings — Secured *(Note (b))*	220,340	40,000	—	—
Current portion of non-current borrowings	280,517	119,389	92,659	92,909
— Bank borrowings *(Note (b))*	67,732	119,389	92,659	92,909
— Other borrowings *(Note (a))*	212,785	—	—	—
	500,857	159,389	92,659	92,909
Total borrowings	547,832	1,028,842	671,464	664,345

(a) As at 31 December 2016, borrowings of RMB212,785,000 were from non-banking financial institutions with interest rate ranging from 9.1% to 10.1% per annum, and secured by pledging of the future right of receiving rental from lease agreements and investment properties of the Group and the land use rights of related parties.

(b) As at 31 December 2016, 2017, 2018 and 30 April 2019, borrowings of RMB335,047,000, RMB1,028,842,000, RMB671,464,000 and RMB664,345,000 were from banks with interest rate ranging from 6.03% to 8.27% per annum and secured by investment properties and restricted cash of the Group.

As at 31 December 2016, 2017, 2018 and 30 April 2019, borrowings of RMB473,865,000, RMB1,028,842,000, RMB170,000,000 and nil were guaranteed by related parties.

(c) The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	
6 months or less	117,492	988,842	671,464	61,913
6 — 12 months	430,340	40,000	—	602,432
	547,832	1,028,842	671,464	664,345

The maturity of the borrowings is as follows:

	As at 31 December 2016		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	288,072	212,785	500,857
1 — 2 years	45,139	—	45,139
2 — 5 years	1,836	—	1,836
	335,047	212,785	547,832

	As at 31 December 2017		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	159,389	—	159,389
1 — 2 years	123,627	—	123,627
2 — 5 years	359,878	—	359,878
Over 5 years	385,948	—	385,948
	1,028,842	—	1,028,842

	As at 31 December 2018		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	92,659	—	92,659
1 — 2 years	112,584	—	112,584
2 — 5 years	237,039	—	237,039
Over 5 years	229,182	—	229,182
	671,464	—	671,464

	As at 30 April 2019		
	Bank borrowings	**Other borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	92,909	—	92,909
1 — 2 years	113,069	—	113,069
2 — 5 years	238,687	—	238,687
Over 5 years	219,680	—	219,680
	664,345	—	664,345

The weighted average effective interest rates of borrowings are as follows:

	For the year ended			Four months ended 30 April
	2016	**2017**	**2018**	**2019**
Bank borrowings	6.56%	6.03%	7.15%	6.80%
Other borrowings	9.06%	10.05%	—	—
	7.64%	6.92%	7.15%	6.80%

(d) The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2016, 2017, 2018 and 30 April 2019, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

(e) The Group has the following undrawn borrowing facilities:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At floating rates:				
— expiring within one year	174,100	—	—	—
— expiring beyond one year	7,500	171,180	400,000	400,000
	181,600	171,180	400,000	400,000

29 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts of deferred tax assets and liabilities of the Group after offsetting are as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
— to be recovered within 12 months	(141)	(1,298)	—	—
— to be recovered after 12 months	(9,813)	(6,940)	(5,612)	(5,509)
	(9,954)	(8,238)	(5,612)	(5,509)
Deferred income tax liabilities:				
— to be settled within 12 months	—	—	6,344	6,344
— to be recovered after 12 months	347,865	368,197	396,825	400,747
	347,865	368,197	403,169	407,091
Deferred income tax liabilities, net	337,911	359,959	397,557	401,582

The net movements on the deferred taxation are as follows:

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/ period	314,748	337,911	359,959	397,557
Charged to the consolidated income statements *(Note 12)*	25,426	25,701	57,873	4,025
(Credited)/charged to other comprehensive income	(2,263)	1,040	(420)	—
Deemed distributions to the then shareholders *(note (a))*	—	(4,693)	(19,855)	—
Balance at end of the year/period	337,911	359,959	397,557	401,582

(a) On 12 October 2017, Shenyang Xinji Industrial effected a demerger under which the property development business was detached from Shenyang Xinji Industrial and distributed to the ultimate controlling shareholders. The deferred tax liabilities associated to the property development business with carrying amount of RMB4,693,000 are derecognised from the Group's consolidated financial statement and recorded as part of the deemed distribution resulting from such demerger.

On 1 December 2018, as Guangzhou Panyu Xinji ceased to operate the Included Business and such business was then taken up by the Group, the assets and liabilities of the Included Business was derecognised from the Group's consolidated financial information as deemed distribution to the then shareholders. (Note 16).

The movement in deferred income tax assets before offsetting during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 are as follows:

Deferred income tax assets	Temporary difference on recognition of cost of sales and expenses	Tax losses	Bad debt provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	6,939	1,571	227	8,737
Credited/(charged) to income statement	3,121	(214)	1,039	3,946
At 31 December 2016	10,060	1,357	1,266	12,683
Credited/(charged) to income statement	715	(983)	509	241
At 31 December 2017	10,775	374	1,775	12,924
(Charged)/credited to income statement	(1,127)	(374)	69	(1,432)
At 31 December 2018	9,648	—	1,844	11,492
(Charged)/credited to income statement	(236)	—	29	(207)
At 30 April 2019	9,412	—	1,873	11,285

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB22,137,000, RMB33,454,000, RMB41,860,000 and RMB43,018,000 in respect of losses amounting to RMB88,550,000, RMB133,814,000, RMB167,442,000 and RMB172,072,000 of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2016, 2017, 2018 and 30 April 2019. These tax losses will expire up to and including years 2019 to 2023.

The movement in deferred income tax liabilities before offsetting during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 are as follows:

Deferred income tax liabilities	Temporary difference of investment properties	Revaluation of Financial assets at fair value through other comprehensive income	Deferred Revenue	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	321,842	1,643	—	323,485
Charged to income statement	29,372	—	—	29,372
Credited to other comprehensive income	—	(2,263)	—	(2,263)
At 31 December 2016	351,214	(620)	—	350,594
Deemed distributions to the then shareholders of the Group	(4,693)	—	—	(4,693)
Charged to income statement	25,942	—	—	25,942
Charged to other comprehensive income	—	1,040	—	1,040
At 31 December 2017	372,463	420	—	372,883
Deemed distributions to the then shareholders of the Group	(19,855)	—	—	(19,855)
Credited to other comprehensive income	—	(420)	—	(420)
Charged to income statement	44,811	—	11,630	56,441
At 31 December 2018	397,419	—	11,630	409,049
Charged/(credited) to income statement	5,933	—	(2,115)	3,818
At 30 April 2019	403,352	—	9,515	412,867

As at the years ended 31 December 2016, 2017, 2018 and 30 April 2019, deferred income tax liabilities amounting to RMB4,013,000, RMB8,134,000, RMB22,804,000 and RMB25,977,000, respectively, have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

30 Cash flow information

(a) Cash generated from operations

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year	75,447	88,784	250,226	121,474	27,305
Adjustments for:					
— Income tax expense	39,326	48,613	98,133	46,463	17,221
— Finance income	(528)	(29,174)	(40,198)	(16,410)	(42)
— Finance expenses	38,277	65,132	77,743	25,339	18,161
— Depreciation of property and equipment	994	904	534	207	244
— Amortisation of intangible assets	69	323	417	122	222
— Net impairment losses/ (reversal of impairment loss) on financial assets and operating lease receivables	4,270	2,190	275	(1,135)	117
— Gain on disposal of property and equipment	—	—	(192)	—	—
— Fair value gain on investment properties	(49,168)	(50,840)	(126,247)	(121,372)	(2,144)
— Dividend income from financial assets at fair value through other comprehensive income	(1,650)	(1,275)	(1,275)	—	—
	107,037	124,657	259,416	54,688	61,084

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Changes in working capital:					
— Properties under development for sale	(8,462)	—	—	—	—
— Operating lease and trade receivables and other receivables	(1,072)	(9,464)	(11,130)	1,372	9,403
— Trade and other payables	240	(19,729)	8,488	36,053	(7,539)
— Advance from customers	97,827	(25,801)	(17,937)	(136)	(19,286)
— Contract liabilities	(991)	254	3,044	1,138	3,064
— Inventories	—	—	(1,514)	(27)	(308)
Cash generated from operations	194,579	69,917	240,367	93,088	46,418

(b) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Bank and other borrowings	Amounts due to related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2016	598,444	18,498	158,426	775,368
Cash flow	(58,669)	107,376	(13,621)	35,086
Other non-cash movement	8,057	—	9,792	17,849
— Leasing finance expenses	—	—	9,792	9,792
— Accrued interest	8,057	—	—	8,057
Balance as at 31 December 2016	547,832	125,874	154,597	828,303
Cash flow	471,762	22,243	(14,302)	479,703
Other non-cash movement	9,248	(146,331)	9,556	(127,527)
— Leasing finance expenses	—	—	9,556	9,556
— Deemed distribution to the then shareholders *(note (i))*	—	(146,331)	—	(146,331)
— Accrued interest	9,248	—	—	9,248
Balance as at 31 December 2017	1,028,842	1,786	149,851	1,180,479
Cash flow	(358,842)	2,250	(14,330)	(370,922)
Other non-cash movement	1,464	52,343	24,981	78,788
— Leasing finance expenses	—	—	9,179	9,179
— Accrued interest	1,464	—	—	1,464
— Initial recognition of lease liabilities *(Note 16)*	—	—	15,802	15,802
— Deemed distribution to the then shareholders *(note (ii))*	—	52,343	—	52,343

	Bank and other borrowings	Amounts due to related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 31 December 2018	671,464	56,379	160,502	888,345
Cash flow	(8,380)	16,780	(8,565)	(165)
Other non-cash movement	1,261	(68,133)	4,295	(62,577)
— Leasing finance expenses	—	—	3,267	3,267
— Accrued interest	1,261	—	—	1,261
— Initial recognition of lease liabilities (Note 16)	—	—	1,028	1,028
— Offsetting with amounts due from related party (note 30(d))	—	(68,133)	—	(68,133)
Balance as at 30 April 2019	664,345	5,026	156,232	825,603
(Unaudited)				
Balance as at 31 December 2017	1,028,842	1,786	149,851	1,180,479
Cash flow	17,983	3,100	(1,631)	19,452
Other non-cash movement	1,818	—	3,073	4,891
— Leasing finance expenses	—	—	3,073	3,073
— Accrued interest	1,818	—	—	1,818
Balance as at 30 April 2018	1,048,643	4,886	151,293	1,204,822

(i) During the year ended 31 December 2017, the Group derecognised certain amounts due to related parties of RMB146,331,000 previously held by Shenyang Xinji Industrial as deemed distribution to the ultimate controlling shareholders (Note 24).

(ii) On 27 December 2018, Guangzhou Xinji acquired a 93.9% interests in Guangzhou Shaxi Hotel from the ultimate controlling shareholders at cash consideration of approximately RMB52,343,000 which was not settled as at 31 December 2018 (Note 24).

(c) Disposal of subsidiaries

On 5 January 2018, Guangzhou Shaxi Hotel disposed of its 73% equity interest in Guangzhou Yaodu Investment Company Limited (the "Guangzhou Yaodu") to Xinji Company, a company incorporated in the PRC and owned by the ultimate controlling shareholders at cash consideration of RMB7,300,000. Since then Guangzhou Yaodu ceased to be a subsidiary of the Group.

	RMB'000
Cash Consideration	7,300
Net assets disposal of	7,300
Gain on disposal	—
Cash received	7,300
Less: Cash and cash equivalents in the subsidiaries disposed of	—
Net cash inflow from the disposal	7,300

(d) Major non-cash transactions

During the year ended 31 December 2017, the Group derecognised certain net assets of RMB15,195,000, mainly including properties under development, amount due to related parties and deferred tax liabilities amounting to RMB166,199,000, RMB146,331,000 and RMB4,693,000, respectively, in Shenyang Xinji Industrial as deemed distribution to the ultimate controlling shareholders (Note 24).

During the year ended 31 December 2018, the Group derecognised certain net assets of RMB131,733,000, mainly including investment properties and deferred tax liabilities amounting to RMB140,420,000 and RMB19,855,000, respectively, in Panyu Real Estate as deemed distribution to the ultimate controlling shareholders (Note 24).

As at 31 December 2018, cash injection of RMB4,900,000 from Dragon International, a then non-controlling shareholders of Guangzhou Shaxi Hotel, was yet to received. Such consideration receivable was settled in February 2019 (See Note 1.2(v)).

During the four months ended 30 April 2019, the Group entered into an agreement with Xinji Company and the controlling shareholders, under which the Group settled its payables due to Xinji Company and the controlling shareholders amounting to RMB52,343,000 and RMB15,790,000 by offsetting its receivables from Xinji Company of RMB68,133,000.

31 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2016, 2017, 2018 and 30 April 2019.

32 Commitments

(a) Capital commitments

Capital expenditure contracted but not yet incurred is as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties	32,475	1,045	4,865	3,159

(b) Operating lease commitments — Group Companies as lessor

The Group is a lessor when the Group leases out property under long-term leases arrangements, which is non-cancellable operating lease agreements. The lease terms are mainly from 1 to 5 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum operating lease receivables under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	157,154	109,594	224,531	206,234
1 — 2 years	86,132	69,743	186,009	171,409
2 — 3 years	54,168	38,033	137,787	114,951
3 — 4 years	26,557	11,561	26,905	20,116
4 — 5 years	10,834	2,570	683	525
Over 5 years	9,890	6,712	2,279	1,260
	344,735	238,213	578,194	514,495

33 Significant related party transactions

(a) *Names and relationships with related parties*

Below is the summary of the Group's related parties during the years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019:

Name	**Relationship**
Mr. Cheung, Mr. Mei and Mr. Zhang	the ultimate controlling shareholders
Xinji Company	A company controlled by the ultimate controlling shareholders
Guangdong Yingbin Investment Management Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Maojia Trading Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Kwairan Furniture Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Xinji Property Management Co., Ltd	A company controlled by the ultimate controlling shareholders
Foshan Xinji Square Operating Management Co., Ltd	A company controlled by the ultimate controlling shareholders
Foshan Xinji Bainian Real Estate Co., Ltd	A company controlled by the ultimate controlling shareholders
Xianghe Xinji Real Estate Development Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Xinji Real Estate Development Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Panyu Dashi Fuli Furniture Plaza Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangdong Xinji International Trading Co., Ltd	A company controlled by the ultimate controlling shareholders
Mr. Li Zhanpeng	Non executive director of the company
Liaoning Xinji Hongxing Commercial Real Estate Development Co., Ltd	An associate of the ultimate controlling shareholders

(b) Transactions with related parties

In addition to those disclosed elsewhere in the Financial Information, the following transactions were carried out with related parties during the Track Record Period:

Interest income from a related party:

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Xinji Company	—	27,969	40,164	16,402	—

Purchase of goods from related party:

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangdong Xinji International Trading Co., Ltd	—	—	1,412	—	568

Sales of goods to related party:

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	—	148

Rental fee charged by related parties:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangdong Yingbin Investment Management Co., Ltd	149	155	155	52	—

Rental service income from related parties:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Guangzhou Maojia Trading Co., Ltd	195	195	193	64	—
Guangzhou Kwairan Furniture Co., Ltd	775	775	768	256	—
	970	970	961	320	—

The above services were conducted according to the agreed terms between relevant related parties and the Group.

(c) Key management personnel compensations

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	175	1,416	2,565	707	932
Pension costs — defined contribution plans	—	32	65	18	28
	175	1,448	2,630	725	960

(d) Balances with related parties

(i) Amounts due from related parties:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Company	17,462	532,347	86,123	—
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	—	—	7,932	7,578
Mr. Cheung	—	—	472	707
Mr. Mei	—	—	300	461
Mr. Zhang	—	—	163	244
Liaoning Xinji Hongxing Commercial Real Estate Development Co., Ltd	—	3,697	—	—
Mr. Li Zhanpeng	—	244	—	—
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	178
Others	2	—	—	1
	17,464	536,288	94,990	9,169

As at 31 December 2017 and 2018, the Group made loans to Xinji Company amounting to RMB452,474,000 and RMB17,640,000, respectively. Such loans are unsecured, repayable on demand and bore interest at 9.42% per annum.

All other balance due from related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) Amounts due to related parties:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Company	124,422	—	—	—
Mr. Li Zhanpeng	1,088	1,700	—	—
Guangzhou Xinji Property Management Co., Ltd.	155	58	—	79
Guangdong Yingbin Investment Management Co., Ltd.	1	—	—	—
Mr. Cheung	102	—	21,555	—
Mr. Zhang	93	—	9,235	—
Guangzhou Xinji Real Estate Development Co., Ltd.	13	13	—	—
Guangzhou Panyu Dashi Fuli Furniture Plaza Co., Ltd.	—	15	—	—
Mr. Mei	—	—	24,158	2,605
Guangdong Xinji International Trading Co., Ltd.	—	—	1,412	2,302
Others	—	—	19	40
	125,874	1,786	56,379	5,026

The amounts due to Guangdong Xinji International Trading Co.,Ltd are trade payables arising from purchase of goods and are unsecured, interest-free and repayable on demand.

All other balances due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) Lease Liabilities:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Xinji Real Estate Development Co., Ltd	—	—	—	686
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	—	—	15,180	9,962
	—	—	15,180	10,648

(e) Guarantees

(i) Guarantees provided to the Group from related parties in respect of the Group's borrowings:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xinji Company	—	190,000	170,000	—
Xinji Company, Mr. Cheung	100,000	—	—	—
Guangzhou Xinji Property Management Co., Ltd, Mr. Zhang and Mr. Li Zhan peng	43,078	49,512	—	—
Guangzhou Xinji Real Estate Development Co, Ltd., Mr. Cheung and Mr. Mei	12,950	—	—	—
Guangzhou Xinji Real Estate Development Co., Ltd., Mr. Zhang and Mr. Mei	97,837	63,816	—	—

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Xinji Real Estate Development Co., Ltd, Xinji Company, Xianghe Xinji Real Estate Development Co., Ltd, Foshan Xinji Bainian Real Estate Co., Ltd	220,000	—	—	—
Guangzhou Xinji Real Estate Development Co., Ltd, Xinji Company, Guangdong Yingbin Investment Management Co., Ltd, Guangzhou Xinji Property Management Co., Ltd., Foshan Xinji Bainian Real Estate Co., Ltd, Mr. Cheung, Mr. Mei and Mr. Zhang	—	725,514	—	—
	473,865	1,028,842	170,000	—

(ii) Guarantees provided by the Group to related parties in respect of borrowings of the related parties:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangdong Yingbin Investment Management Co., Ltd	113,623	10,000	—	—
Foshan Xinji Square Operating Management Co., Ltd	200,000	200,000	—	—
	313,623	210,000	—	—

34 Business combination

Acquisition of controlling interests in subsidiaries

(a) Acquisitions of Guangzhou Xinji Dajing Electronic Commerce Company Limited (the "Guangzhou Xinji Dajing") and its 100% wholly owned subsidiary, Guangzhou Xinji Dingshang Electronic Co., Ltd. (the "Guangzhou Xinji Dingshang") (together, the "Guangzhou Xinji Dajing Group").

On 20 April 2018, Guangzhou Shaxi Hotel acquired a 42% equity interest of Guangzhou Xinji Dajing, from the ultimate controlling shareholders at cash consideration of RMB840,000. On the same date, Guangzhou Shaxi Hotel injected capital of RMB900,000 to Guangzhou Xinji Dajing and since then Guangzhou Xinji Dajing was owned as to 60% by Guangzhou Shaxi Hotel. The fair value of identifiable net assets acquired attributed to the non-controlling interests amounting to RMB1,160,000 was recognised as an increase in non-controlling interests.

The net cash outflow in respect of the acquisition transaction is as follow:

	RMB'000
Cash and cash equivalents acquired	1,086
Cash consideration paid	(1,740)
Net cash outflow	(654)

Changes in ownership interests in subsidiaries without change of control

(b) Acquisition of additional interests in Xinji Huazhan

On 23 August 2018, Guangzhou Shaxi Hotel acquired an additional 29% equity interests in a non-wholly owned subsidiary, Xinji Huazhan, at nil consideration. The attributable net liabilities to the then 29% non-controlling interests in Xinji Huazhan as at the date of acquisition was RMB799,000.

(c) Acquisitions of additional interests in Guangzhou Wanhua Hotel

On 1 August 2018, the Group acquired an additional 49% equity interests in Guangzhou Wanhua Hotel, a non-wholly owned subsidiary, at cash consideration of RMB1,319,000, including transaction tax of RMB819,000, from the non-controlling shareholders (see note 1.2(v)). As a result, the Group recognised a decrease in non-controlling interests of approximately RMB157,555,000 and an increase in equity attributable to owners of the Company of approximately RMB156,236,000.

(d) Acquisitions of additional interests in Guangzhou Shaxi Hotel

On 27 December 2018, the Group acquired an additional 28.1% equity interests in Guangzhou Shaxi Hotel, a non-wholly owned subsidiary, at cash consideration of approximately RMB22,439,000. As a result, the Group recognised a decrease in non-controlling interests of approximately RMB273,152,000 and an increase in equity attributable to owners of the Company of approximately RMB250,713,000.

On 27 December 2018, the Group acquired 6.1% interests in Guangzhou Shaxi Hotel held by Dragon International and recognised a decrease in non-controlling interests of approximately RMB4,900,000 and an increase in equity attributable to owners of the Company of approximately RMB4,900,000.

35 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and chief executive for the year ended 31 December 2016 is set out below:

Name	**Salaries(i)**	**Other social security costs, housing benefits and other employee benefits**	**Pension cost-defined contribution plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Cheung	35	5	5	45
Mr. Mei	24	—	—	24
Mr. Zhang	24	3	3	30
Ms. Jin Chunyan	23	2	2	27
	106	10	10	126

The remuneration of every director and chief executive for the year ended 31 December 2017 is set out below:

Name	Salaries(i)	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Cheung	261	29	29	319
Mr. Mei	196	—	—	196
Mr. Zhang	196	21	21	238
Ms. Jin Chunyan	176	20	20	216
	829	70	70	969

The remuneration of every director and chief executive for the year ended 31 December 2018 is set out below:

Name	Salaries(i)	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Cheung	349	29	29	407
Mr. Mei	274	—	—	274
Mr. Zhang	274	21	21	316
Ms. Jin Chunyan	221	20	20	261
	1,118	70	70	1,258

The remuneration of every director and chief executive for the four months ended 30 April 2018 is set out below:

(Unaudited)

Name	Salaries(i)	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Cheung	116	10	10	136
Mr. Mei	91	—	—	91
Mr. Zhang	91	7	7	105
Ms. Jin Chunyan	74	7	7	88
	372	24	24	420

The remuneration of every director and chief executive for the four months ended 30 April 2019 is set out below:

Name	Salaries(i)	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Cheung	116	10	10	136
Mr. Mei	91	—	—	91
Mr. Zhang	91	7	7	105
Ms. Jin Chunyan	74	7	7	88
	372	24	24	420

Notes:

(i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

During the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019, no directors waived or agreed to waive any emoluments.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019.

(c) Directors' termination benefits

During the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019.

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019, except for the transactions disclosed in Note 33.

36 Subsequent events

By a shareholders' resolution dated 3 October 2019 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 1,199,947,368 shares, credited as fully paid, to the existing shareholders of the Company.

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 30 April 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019.

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is 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 the owners of the Company as of 30 April 2019 as if the Global Offering had taken place on 30 April 2019 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 April 2019 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2019	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2019**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$0.9 per Share	1,559,810	199,930	1,759,740	1.17	1.36
Based on an Offer Price of HK$1.1 per Share	1,559,810	249,363	1,809,173	1.21	1.40

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at 30 April 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 April 2019 of approximately RMB1,560,591,000 adjusted for intangible asset of approximately RMB781,000.

(2) The estimated net proceeds from the Global Offering are based on 300,000,000 new Offer Share and the indicative Offer Price of HK$0.9 per Share and HK$1.1 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately RMB21,873,000 which have been recognised in the consolidated income statement up to period ended 30 April 2019).

(3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,500,000,000 Shares were in issue assuming that the Global Offering has been completed on 30 April 2019 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or 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 in the section headed "Share Capital" to this prospectus, as applicable.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of HK$1.00 = RMB0.86, as set out in "Information about this Prospectus and the Global Offering" to this prospectus. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 30 April 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xinji Shaxi Group Co., Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinji Shaxi Group Co., Ltd (the ''Company'') and its subsidiaries (collectively the ''Group'') by 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 30 April 2019, and related notes (the ''Unaudited Pro Forma Financial Information'') as set out on pages II-1 and II-2 of the Company's prospectus dated 25 October 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 and II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 April 2019 as if the proposed initial public offering had taken place at 30 April 2019. As part of this process, information about the Group's financial position have been extracted by the directors from the Group's financial information for the period ended 30 April 2019, 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'').

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 April 2019 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 judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 October 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2019 of the property interests of the Company.

AVISTA Valuation Advisory
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25 October 2019

The Board of Directors
Xinji Shaxi Group Co., Ltd
1st Floor, Xinjicheng Club,
No. 250 Nanda Road, Panyu District,
Guangzhou City, Guangdong Province,
the PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Xinji Shaxi Group Co., Ltd (the "**Company**") for us to carry out the valuation of the property interests occupied and rented by the Company and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2019 (the "valuation date").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "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".

BASIC OF VALUATION

In valuing the property interests, we have complied with all 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 ("Listing Rules"), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held and occupied by the Group in the PRC, which in turn being classified into the following groups:

Group I — Property interests held for investment by the Group in the PRC;

Group II — Property Interests held for future development by the Group in the PRC; and

Group III — Property Interests rented by the Group in the PRC.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "continued uses").

In valuing the property interests property No. 1 and 2 under Group I and property No. 3 and 4 under Group II, we have valued by market approach by making reference to comparable market transactions in our assessment of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Specifically, a range of unit rates between RMB8,000 to RMB15,000 per sq.m. as varied by floor levels, on lettable area basis, with respect to property No. 1, a range of unit rates between RMB10,000 to RMB18,000 per sq.m. with respect to property No. 2, a range of unit rates between RMB365 to RMB440 per sq.m. with respect to property No. 3, and a range of unit rates between RMB320 to RMB390 per sq.m. with respect to property No. 4, were adopted as parameters for valuation purpose.

In valuing the property interests of property No. 5, 6 and 7 under Group III, we have valued by the income approach by taking into account the rental income of the properties derived from the existing leases or sub-leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases or sub-leases which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

With respect to property No. 5, rent of similar properties in the locality concerned in the region of RMB25 to RMB35/sq.m. per month on lettable area basis for storage purpose, and RMB170 to RMB210/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 8%, were adopted for valuation purpose.

With respect to property No. 6, rent of similar properties in the locality concerned in the region of RMB25 to RMB35/sq.m. per month on lettable area basis for storage purpose, and RMB50 to RMB85/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 8%, were adopted for valuation purpose.

With respect to property No. 7, rent of similar properties in the locality concerned in the region of RMB20 to RMB30/sq.m. per month on lettable area basis for storage purpose, and RMB60 to RMB80/sq.m. per month on lettable area basis for shop purpose, coupled with an assumed capitalization rate of 6%, were adopted for valuation purpose.

In valuing the property interests of property No. 8 under Group III, which are rented by the Group, we have attributed no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rents or short-term nature.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC Legal Advisers — King & Wood Mallesons, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Oswald Au (Director of AVISTA Valuation Advisory Limited) and Mr. Greivis Sze (Senior Analyst of AVISTA Valuation Advisory Limited) on 17 January 2019. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued 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.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF THE KEY PARAMETERS OF THE PROPERTIES

Ref. to Property Nos.	Property Name	Brief Description of the Property	Province/ Municipality	Market value in existing state as at 31 August 2019 *(RMB)*	Market value Attributable to the Group as at 31 August 2019 *(RMB)*	Reference Value (for the properties could not be freely transferred in the market) *(RMB)*	Reference Value (for the properties could not be freely transferred in the market and without related construction approval and construction acceptance) *(RMB)*	Valuation Parameter
			Total:	**1,468,470,000**	**1,468,470,000**	**1,388,310,000**	**57,110,000**	
1	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博 覽城)	The property was held by the Group and has been mainly sub-leased to various independent third parties. (Please refer to Valuation Certificate No.1)	Liaoning	518,600,000	518,600,000	—	—	Market Comparable Price (RMB/sq.m.): 8,000–15,000
2	Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	The property was held by the Group and has been mainly sub-leased to various independent third parties. (Please refer to Valuation Certificate No.2)	Liaoning	921,500,000	921,500,000	—	—	Market Comparable Price (RMB/sq.m.): 10,000–18,000
3	A parcel of industrial land located at No. 57 Daoyibeida Street	The property was held by the Group and is currently vacant. (Please refer to Valuation Certificate No.3)	Liaoning	4,640,000	4,640,000	—	—	Market Land Comparable Price (RMB/sq.m.): 365–440
4	A parcel of industrial land and temporary structures located at No. 59 Daoyibeida Street	The property was held by the Group and portion of the temporary structures were leased to various independent third parties, and the remaining portion was vacant. (Please refer to Valuation Certificate No.4)	Liaoning	23,730,000	23,730,000	—	—	Market Land Comparable Price (RMB/sq.m.): 320–390

Ref. to Property Nos.	Property Name	Brief Description of the Property	Province/ Municipality	Market value in existing state as at 31 August 2019 *(RMB)*	Market value Attributable to the Group as at 31 August 2019 *(RMB)*	Reference Value (for the properties could not be freely transferred in the market) *(RMB)*	Reference Value (for the properties could not be freely transferred in the market and without related construction approval and construction acceptance) *(RMB)*	Valuation Parameter
5	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	The property was rented by the Group and has been mainly leased to various independent third parties. (Please refer to Valuation Certificate No.5)	Guangdong	—	—	1,024,820,000	57,110,000	Market Comparable Monthly Rent for storage (RMB/ sq.m.): 25–35 Market Comparable Monthly Rent for shop (RMB/sq.m.): 170–210 capitalization rate: 8%
6	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	The property was rented by the Group and has been mainly leased to various independent third parties. (Please refer to Valuation Certificate No.6)	Guangdong	—	—	337,110,000	—	Market Comparable Monthly Rent for storage (RMB/ sq.m.): 25–35 Market Comparable Monthly Rent for shop (RMB/sq.m.): 50–85 capitalization rate: 8%
7	Xinji Dashi Home Furnishings Center (信基大石家私城)	The property was rented by the Group and has been mainly sub-leased to various independent third parties. (Please refer to Valuation Certificate No.7)	Guangdong	—	—	26,380,000	—	Market Comparable Monthly Rent for storage (RMB/ sq.m.): 20–30 Market Comparable Monthly Rent for shop (RMB/sq.m.): 60–80 capitalization rate: 6%
8	Portion of 1st to 3rd Floor of Xinjicheng Club (信基城會所)	The property was rented and occupied by the Group for office purpose. (Please refer to Valuation Certificate No.8)	Guangdong	—	—	—	—	—

SUMMARY OF VALUES

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
1.	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) located at No. 59–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	518,600,000	100%	518,600,000
2.	Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) located at No. 57–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	921,500,000	100%	921,500,000
	Sub-total:	**1,440,100,000**	**100%**	**1,440,100,000**

Group II — Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
3.	A parcel of industrial land located at No. 57 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	4,640,000	100%	4,640,000
4.	A parcel of industrial land and temporary structures located at No. 59 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	23,730,000	100%	23,730,000
	Sub-total:	**28,370,000**	**100%**	**28,370,000**

Group III — Property interests rented by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
5.	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) located at No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
6.	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) located at Northern side of Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
7.	Xinji Dashi Home Furnishings Center (信基大石傢俬城) located at No. 105 Guo Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value

No.	Property	Market value in existing state as at 31 August 2019 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 August 2019 *RMB*
8.	Portion of 1 st to 3rd Floor of Xinjicheng Club (信基城會所) located at No. 250 Nanda Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	No commercial value	100%	No commercial value
	Sub-total:	**No commercial value**	**100%**	**No commercial value**
	Grand Total:	**1,468,470,000**	**100%**	**1,468,470,000**

VALUATION CERTIFICATE

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
1.	Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) located at No. 59–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	The property comprises 1 parcel of land with a total site area of approximately 71,431.00 sq.m. and 1 block of 5-storey commercial building with 9 pair of escalators, 4 passenger lifts and 3 goods lifts erected thereon completed in 2015. Pursuant to the Building Ownership Certificate, the building has a total gross floor area of approximately 88,416.03 sq.m. and as advised by the Company, the building has a total lettable area of approximately 48,933.43 sq.m. The details are set out as follows:	Portion of the property with a lettable area of approximately 25,907.03 sq.m. has been mainly sub-leased to various independent third parties for commercial purpose, portion of the property (Basement Level 1) with a lettable area of approximately 10,200.00 sq.m. is under planning and the remaining portion with a lettable area of approximately 12,826.40 sq.m. was vacant.	518,600,000 (100% interest attributable to the Company: 518,600,000)

Floor level	Gross Floor Area *(sq.m.)*	Lettable Area *(sq.m.)*
B 1	20,400.00	10,200.00
1	17,284.10	8,643.90
2	16,470.09	9,272.99
3	17,147.13	10,525.76
4	17,114.71	10,290.78
Total:	**88,416.03**	**48,933.43**

The property is located at Shenyang City, near the Shenyang Fantawild Adventure, with approximately 20km to Shenyang North Train Station and 42km to Shenyang Taoxian International Airport.

The land use rights of the property have been granted for a term of approximately 40 years expiring on 5 April 2051 for commercial use.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Shen Bei Guo Yong (2011) Di No. 118 dated 16 June 2011 with a total site area of approximately 71,431.00 sq.m. have been granted to 瀋陽信基房地產開發有限公司 (the former name of 瀋陽信基實業有限公司), a wholly-owned subsidiary of the Company for a term expiring on 5 April 2051 for commercial use.

2. Pursuant to the Building Ownership Certificate -Shen Fang Quan Zheng Zhong Xin Zi Di No. N060630515 dated 26 September 2014 with a total gross floor area of approximately 88,416.03 sq.m. have been granted to 瀋陽信基房地產開發有限公司 for commercial use.

3. Pursuant to the tenancy agreement entered into between 瀋陽信基實業有限公司 and 瀋陽沙溪國際酒店用品博覽中心有限公司, a wholly-owned subsidiary of the Company, the buildings with a total gross floor area of approximately 88,416.03 sq.m. were contracted to be assigned for a term commencing from 1 March 2019 and expiring on 29 February 2024 at a total monthly rent of RMB442,080 and 瀋陽沙溪國際酒店用品博覽中心有限公司 is allowed to sublease the property.

4. Pursuant to various sub-tenancy agreements, portion of the property with a total lettable area of approximately 25,907.03 sq.m. are mainly leased to various independent third parties for various terms with the latest expiry date 31 July 2022 at a total monthly rent of approximately RMB1,029,000 mainly for commercial purpose.

5. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The Company has legally obtained the land use right and building ownership of the property;

   b. The property can be legally occupied, used, leased, transferred, mortgaged or disposed by the Company subject to restrictions under relevant PRC laws;

   c. The land use rights and buildings were pledged; and

   d. The tenancy agreement mentioned in note no. 3 is valid, legal and binding.

6. A summary of major certificates/licenses is shown as follow:

   a. State-owned Land Use Rights Certificate — Yes

   b. Building Ownership Certificate — Yes

7. In our valuation, we have made reference to some transaction price references of some commercial development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB8,000 to RMB15,000 per sq.m. for different floor levels on the lettable area basis. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

8. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value Attributable to the Group as at 31 August 2019
RMB</th></tr>
<tr><td>2.</td><td>Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) located at No. 57–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC</td><td>The property comprises 1 parcel of land with a total site area of approximately 43,973.00 sq.m. and 1 block of 5-storey commercial building with 16 pair of escalators, 4 passenger lifts and 4 goods lifts erected thereon completed in 2015.

Pursuant to the Building Ownership Certificate, the building has a total gross floor area of approximately 114,911.16 sq.m. and as advised by the Company, the building has a total lettable area of approximately 63,362.36 sq.m. The details are set out as follows:

<table>
<tr><th>Floor level</th><th>Gross Floor Area
(sq.m.)</th><th>Lettable Area
(sq.m.)</th></tr>
<tr><td>B 1</td><td>24,454.00</td><td>14,672.40</td></tr>
<tr><td>1</td><td>26,192.00</td><td>14,405.60</td></tr>
<tr><td>2</td><td>26,537.00</td><td>14,064.61</td></tr>
<tr><td>3</td><td>26,537.00</td><td>14,064.61</td></tr>
<tr><td>4</td><td>11,191.16</td><td>6,155.14</td></tr>
<tr><td>Total:</td><td>114,911.16</td><td>63,362.36</td></tr>
</table>

The property is located at Shenyang City, near the Shenyang Fantawild Adventure, with approximately 20km to Shenyang North Train Station and 42km to Shenyang Taoxian International Airport.

The land use rights of the property have been granted for a term of approximately 40 years expiring on 19 October 2049 for commercial use.</td><td>Portion of the property with a lettable area of approximately 50,495.22 sq.m. has been mainly sub-leased to various independent third parties for commercial purpose and the remaining portion with a lettable area of approximately 12,867.14 sq.m. was vacant.</td><td>921,500,000
(100% interest attributable to the Company: 921,500,000)</td></tr>
</table>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Shen Bei Guo Yong (2016) Di No. 0019 dated 22 March 2016 with a total site area of approximately 43,973.00 sq.m. have been granted to 瀋陽信基房地產開發有限公司 (the former name of 瀋陽信基實業有限公司), a wholly-owned subsidiary of the Company for a term expiring on 19 October 2049 for commercial use.

2. Pursuant to the Building Ownership Certificate -Shen Fang Quan Zheng Zhong Xin Zi Di No. N060712502 dated 5 June 2015 with a total gross floor area of approximately 114,911.16 sq.m. have been granted to 瀋陽信基房地產開發有限公司 for commercial use.

3. Pursuant to the tenancy agreement entered into between 瀋陽信基實業有限公司 and 瀋陽沙溪國際酒店用品博覽中心有限公司, a wholly-owned subsidiary of the Company, the buildings with a total gross floor area of approximately 114,611.16 sq.m. were contracted to be assigned for a term commencing from 1 March 2019 and expiring on 29 February 2024 at a total monthly rent of RMB574,555.8 and 瀋陽沙溪國際家居用品博覽中心有限公司 is allowed to sublease the property to other third parties.

4. Pursuant to various sub-tenancy agreements, portion of the property with a total lettable area of approximately 50,495.22 sq.m. are mainly leased to various independent third parties for various terms with the latest expiry date 28 February 2023 at a total monthly rent of approximately RMB2,093,000 mainly for commercial purpose.

5. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The Company has legally obtained the land use right and building ownership of the property;

   b. The property can be legally occupied, used, leased, transferred, mortgaged or disposed by the Company subject to restrictions under relevant PRC laws;

   c. The land use rights and buildings were pledged; and

   d. The tenancy agreement mentioned in note no. 3 is valid, legal and binding.

6. A summary of major certificates/licenses is shown as follow:

   a. State-owned Land Use Rights Certificate Yes

   b. Building Ownership Certificate Yes

7. In our valuation, we have made reference to some transaction price references of some commercial development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB10,000 to RMB18,000 per sq.m. for different floor levels on the lettable area basis. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

8. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

Group II — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
3.	A parcel of industrial land located at No. 57 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	The property comprises 1 parcel of land with a site area of approximately 11,492.00 sq.m. The property is located at Shenyang City, near the Shenyang Fantawild Adventure, with approximately 20km to Shenyang North Train Station and 42km to Shenyang Taoxian International Airport. The land use rights of the property have been granted for a term expiring on 8 September 2061 for industrial use.	The property is currently vacant as at the valuation date.	4,640,000 (100% interest attributable to the Company: 4,640,000)

Notes:

1. Pursuant to State-owned Land Use Rights Grant Contract — No. 2101132011A0087 dated 9 September 2011, the land use rights of a parcel of land with a site area of approximately 11,492.00 sq.m. have been granted to 瀋陽信基房地產開發有限公司 (the former name of 瀋陽信基實業有限公司), a wholly-owned subsidiary of the Company for a land use right term of 50 years for industrial use at a total land premium of approximately RMB4,332,484.

   As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Site Area:	11,492.00 sq.m.
Plot Ratio:	≥1
Site Coverage:	≥35%
Greenery Coverage:	≦15%

2. Pursuant to the State-owned Land Use Rights Certificates — Shen Bei Guo Yong (2012) Di No. 138 dated 19 September 2012 with a total site area of approximately 11,492.00 sq.m. has been vested to 瀋陽信基房地產開發有限公司, for a term of approximately 50 years for industrial use.

3. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The Company has legally obtained the land use right of the property;

   b. The property can be legally occupied, used, leased, transferred, mortgaged or disposed by the Company subject to restrictions under relevant PRC laws; and

   c. As confirmed by Planning and Land Resource Bureau of Shenyang Municipal Shenbei Branch (瀋陽市規劃和國土資源局瀋北分局), the Company will not be subjected to idle land fees/or forfeiture of land due to the delay in commencement of construction works of the property up to the date of confirmation.

4. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB365 to RMB440 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

5. A summary of major certificates/licenses is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	N/A
c.	Construction Land Planning Permit	N/A
d.	Construction Works Planning Permit	N/A
e.	Construction Works Commencement Permit	N/A

6. As confirmed by the Company that there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
4.	A parcel of industrial land and temporary structures located at No. 59 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, the PRC	The property comprises 1 parcel of land with a site area of approximately 67,422.00 sq.m. and temporary structures with a total gross floor area of approximately 5,380.26 sq.m. erected thereon. The property is located at Shenyang City, near the Shenyang Fantawild Adventure, with approximately 20km to Shenyang North Train Station and 42km to Shenyang Taoxian International Airport. The land use rights of the property have been granted for a term expiring on 7 September 2061 for industrial use.	Portion of the temporary structures with a gross floor area of approximately 2,672.22 sq.m. was leased to various independent third parties, and the remaining portion was vacant.	23,730,000 (100% interest attributable to the Company: 23,730,000)

Notes:

1. Pursuant to State-owned Land Use Rights Grant Contract — No. 2101132011A0086 dated 9 September 2011, the land use rights of a parcel of land with a site area of approximately 67,422.00 sq.m. have been granted to 瀋陽信基房地產開發有限公司 (the former name of 瀋陽信基實業有限公司), a wholly-owned subsidiary of the Company for a land use right term of 50 years for industrial use at a total land premium of approximately RMB22,114,416.

   As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Site Area:	67,422.00 sq.m.
Plot Ratio:	≥1
Site Coverage:	≥35%
Greenery Coverage:	≦15%

2. Pursuant to the State-owned Land Use Rights Certificates — Shen Bei Guo Yong (2012) Di No. 139 dated 19 September 2012 with a total site area of approximately 67,422.00 sq.m. has been vested to 瀋陽信基房地產開發有限公司, for a term of approximately 50 years for industrial use.

3. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The Company has legally obtained the land use right of the property;

   b. The property can be legally occupied, used, leased, transferred, mortgaged or disposed by the Company subject to restrictions under relevant PRC laws;

   c. As confirmed by Planning and Land Resource Bureau of Shenyang Municipal Shenbei Branch (瀋陽市規劃和國土資源局瀋北分局), the Company will not be subjected to idle land fees/or forfeiture of land due to the delay in commencement of construction works of the property up to the date of confirmation; and

   d. As confirmed by Planning and Land Resource Bureau of Shenyang Municipal Shenbei Branch (瀋陽市規劃和國土資源局瀋北分局) and Urban Management and Law Enforcement Bureau of Shenyang Municipal Shenbeixin District (瀋陽市瀋北新區城市管理和行政執法局), the Company will not be subjected to administrative penalties due to the unauthorized temporary structures.

4. In undertaking our valuation, we have assigned no market value/reference value to the temporary structures with a total gross floor area of 5,380.26 sq.m. since it has not obtained valid title certificates and approval.

5. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB320 to RMB390 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

6. A summary of major certificates/licenses is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	N/A
c.	Construction Land Planning Permit	N/A
d.	Construction Works Planning Permit	N/A
e.	Construction Works Commencement Permit	N/A

7. As confirmed by the Company that there are no material environmental and planning issues.

VALUATION CERTIFICATE

Group III — Property interests rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
5.	Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) located at No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	The property comprises 2 parcels of leased land with a total site area of approximately 117,719.50 sq.m. (please refer to note no. 1) and various blocks buildings erected thereon completed from 2003 to 2018. The buildings have a total lettable area of approximately 62,124.08 sq.m.. The property is located at Guangzhou City, near the Guangzhou Fisherman's Wharf, with approximately 14km to Guangzhou South Train Station and 46km to Guangzhou Baiyun International Airport. The 2 parcels of land are leased to 廣州市番禺沙溪日用工業品商業城有限公司 (the former name of 廣州沙溪國際酒店用品城有限公司), a wholly-owned subsidiary of the Company for a term commencing from 1 January 2002 and expiring on 31 December 2031 and commencing from 1 July 2002 and expiring on 30 June 2022 respectively.	Portion of the property with a lettable area of approximately 61,789.32 sq.m. has been mainly leased to various independent third parties for commercial purpose, and the remaining portion with a lettable area of approximately 334.76 sq.m. was vacant.	No commercial value (100% interest attributable to the Company: No commercial value)

Notes:

1. Pursuant to the 2 land use right tenancy agreements, the land use rights of 2 parcel of land with a total site area of approximately 117,719.50 sq.m. and 1 supplementary agreement for commercial and/or storage use. The details are set out as follows:

No.	Lessor	Lessee	Lease term	Annual rent	Site area *(sq.m.)*
i.	番禺區大石鎮沙溪村經濟合作社	番禺區信基房地產發展有限公司 (the former lessee). According to the supplementary agreement dated 4 November 2003, the right of the lease has been assigned to廣州市番禺沙溪日用工業品商業城有限公司	commencing from 1 January 2002 and expiring on 31 December 2031	RMB4,041,108 and a 5% increase every next year	112,253.00
ii.	廣東番禺大橋有限公司	廣州市番禺沙溪日用工業品商業城有限公司	commencing from 1 July 2002 and expiring on 30 June 2022	RMB229,596 and a 5% increase every next year	5,466.50

2. Pursuant to various tenancy agreements, the property with a total lettable area of approximately 61,789.32 sq.m. are mainly leased to various independent third parties for various terms with the latest expiry date 31 July 2023 at a total monthly rent of approximately RMB11,646,000 mainly for commercial purpose.

3. According to surveying report provided by the Company, the property has a total gross floor area of approximately 62,222.59 sq.m.

4. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The relevant construction work planning permits, certificates of completion of fire inspection and construction completion certificates have been obtained and gone through the fire safety inspection therefore failure to obtain the relevant building ownership certificates would not invalidate the use and leasing of the relevant premises; and

   b. Applying the interpretation of the current Land Administration Law of the PRC by the Natural Resources of Guangdong Province Bureau, the tenancy agreements mentioned in note no. 1 are not prohibited by the current Land Administration Law of the PRC,the legality and validity of the lease shall not be impinged, and such lease shall be deemed legal and valid.

5. In undertaking our valuation, we have assigned no commercial value to portion of the property with a total lettable area of approximately 59,137.1 sq.m. since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the property as at the valuation date would be RMB1,024,820,000, assuming the property could be freely transferred in the market.

6. In undertaking our valuation, we have assigned no commercial value to portion the property with a total lettable area of approximately 2,986.98 sq.m. since it could not be freely transferred in the market and without related construction approval and construction acceptance. For reference purpose, we are of the opinion that the estimated value of the property without construction approval and construction acceptance as at the valuation date would be RMB57,110,000, assuming the property could be freely transferred in the market and has obtained the construction approval and construction acceptance.

7. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in the locality which are in the region of RMB25 to RMB35 per sq.m./month on the lettable area basis for storage purpose and RMB170 to RMB210 per sq.m./month on the lettable area basis for shop purpose. The capitalization rate assumed by us is 8% which is in line with the capitalization rate of this property sector in the region of 7% to 9%.

8. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
6.	Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) located at Northern side of Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City Guangdong Province, the PRC	The property comprises 1 parcel of leased land with a total site area of approximately 100,438.00 sq.m. (please refer to note no. 1) and various blocks buildings erected thereon completed in 2007. The buildings have a total lettable area of approximately 70,845.28 sq.m. The property is located at Guangzhou City, near the Guangzhou Fisherman's Wharf, with approximately 14km to Guangzhou South Train Station and 46km to Guangzhou Baiyun International Airport. The land is leased to 廣州萬華房地產經營有限公司 (the former name of 廣州萬華酒店用品城有限公司), a wholly-owned subsidiary of the Company for a term commencing from 1 June 2006 and expiring on 31 May 2026.	The property has been mainly leased to various independent third parties for commercial purpose.	No commercial value (100% interest attributable to the Company: No commercial value)

Notes:

1. Pursuant to 1 land use rights tenancy agreement dated 11 November 2004 and 5 supplementary agreements dated 28 September 2007, 15 June 2010 and 26 August 2010 entered into between 番禺區大石鎮上漖村經濟合作社 and 廣州萬華房地產經營有限公司, 1 parcel of land with a total site area of approximately 100,438.00 sq.m. were contracted to be assigned for a term commencing from 1 June 2006 and expiring on 31 May 2026 at a total monthly rent of RMB281,226 and a 5% increase every next year.

2. Pursuant to various tenancy agreements, the property with a total lettable area of approximately 70,845.28 sq.m. are mainly leased to various independent third parties for various terms with the latest expiry date 31 May 2026 at a total monthly rent of approximately RMB5,130,000 mainly for commercial purpose.

3. According to surveying report provided by the Company, the property has a total gross floor area of approximately 72,636.09 sq.m.

4. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The relevant construction work planning permits, certificates of completion of fire inspection and construction completion certificates have been obtained and gone through the fire safety inspection therefore failure to obtain the relevant building ownership certificates would not invalidate the use and leasing of the relevant premises; and

   b. Applying the interpretation of the current Land Administration Law of the PRC by the Natural Resources of Guangdong Province Bureau, the tenancy agreement mentioned in note no. 1 are not prohibited by the current Land Administration Law of the PRC,the legality and validity of the lease shall not be impinged, and such lease shall be deemed legal and valid.

5. In undertaking our valuation, we have assigned no commercial value to the property since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the property as at the valuation date would be RMB337,110,000, assuming the property could be freely transferred in the market.

6. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in the locality which are in the region of RMB25 to RMB35 per sq.m./month on lettable area basis for storage purpose and RMB50 to RMB85 per sq.m./month on lettable area basis for shop purpose. The capitalization rate assumed by us is 8% which is in line with the capitalization rate of this property sector in the region of 7% to 9%.

7. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
7.	Xinji Dashi Home Furnishings Center (信基大石家私城) located at No. 105 Guo Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	The buildings have a total lettable area of approximately 24,779.16 sq.m. The property is located at Guangzhou City, near the Chimelong Safari Park, with approximately 9km to Guangzhou South Train Station and 46km to Guangzhou Baiyun International Airport. The property is leased to 廣東信基家居有限公司, a wholly-owned subsidiary of the Company for a term commencing from 1 December 2018 and expiring on 30 November 2021.	The property has been mainly sub-leased to various independent third parties for commercial purpose.	No commercial value (100% interest attributable to the Company: No commercial value)

Notes:

1. Pursuant to the tenancy agreement dated 1 December 2018 entered into between 廣州市番禺信基房產發展有限公司, a connected person of the Company and 廣東信基家居有限公司, the building with a total lettable area of approximately 24,893.95 sq.m. (Please refer to note no. 3) was leased to 廣東信基家居有限公司 for a term commencing from 1 December 2018 and expiring on 30 November 2021 at a total monthly rent of RMB460,181 and a 5% increase every next year.

2. Pursuant to various sub-tenancy agreements, the property with a total lettable area of approximately 24,576.16 sq.m. are leased to various independent third parties for various terms with the latest expiry date 31 July 2023 at a total monthly rent of approximately RMB965,000 mainly for commercial purpose.

3. The decrease in the lettable area from 24,893.95 sq.m. to 24,779.16 sq.m. was due to the conversion of approximately 114.79 sq.m. into part of the fire exit area of the building as agreed between the tenant, the local authorities and our Group.

4. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The validity of the tenancy agreement mentioned in note no. 1 will not be affected by the absence of house tenancy registration, however the portion of the property with a lettable area of approximately 1,720.00 sq.m. as stated in the tenancy agreement may be invalid due to the construction approval and construction acceptance have not been obtained.

5. In undertaking our valuation, we have assigned no commercial value to the property since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the aforesaid lease period as at the valuation date would be RMB26,380,000, assuming the property could be freely transferred in the market.

6. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in the locality which are in the region of RMB20 to RMB30 per sq.m./month on lettable area basis for storage purpose and RMB60 to RMB80 per sq.m./month on lettable area basis for shop purpose. The capitalization rate assumed by us is 6% which is in line with the capitalization rate of this property sector in the region of 5% to 7%.

7. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Group as at 31 August 2019 *RMB*
8.	Portion of 1st to 3rd Floor of Xinjicheng Club (信基城會所) located at No. 250 Nanda Road, Dashi Street, Panyu District, Guangzhou City Guangdong Province, the PRC	The building has a total lettable area of approximately 712.53 sq.m. The property is located at Guangzhou City, near the Guangzhou Fisherman's Wharf, with approximately 14km to Guangzhou South Train Station and 46km to Guangzhou Baiyun International Airport. The property is leased to 廣州沙溪國際酒店用品城有限公司, a wholly-owned subsidiary of the Company for a term commencing from 1 January 2019 and expiring on 31 December 2021.	The property was occupied by the Group for office purpose.	No commercial value (100% interest attributable to the Company: No commercial value)

Notes:

1. Pursuant to the tenancy agreement dated 1 January 2019 entered into between 廣州市信基置業房地產開發有限公司, a connected person of the Company and 廣州沙溪國際酒店用品城有限公司, the building with a total lettable area of approximately 712.53 sq.m. were contracted to be assigned for a term commencing from 1 January 2019 and expiring on 31 December 2021 at a total monthly rent of RMB28,501.20 and a 5% increase every next year.

2. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The tenancy agreement mentioned in note no. 1 is valid, legal and binding.

3. As confirmed by the Company, there are no material environmental and planning issues.

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 3 October 2019 and effect on the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date 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; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the ''retirement by rotation'' provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. 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.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) 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;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any 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 his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates 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 his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are 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.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ''ordinary resolution'', by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is 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. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that 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.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 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 must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 27 July 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the 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, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company shall obtain an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 1 April 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is 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.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are 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 member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) 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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company on 27 July 2018. Our Company has established a principal place of business in Hong Kong at Rooms 301 – 303, 3/F, Golden Gate Commercial Building, 136 – 138 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 April 2019. Ms. Jin and Mr. Kam Chi Sing have been appointed as the authorised persons of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure, the Memorandum of Association and the Articles of Association are subject to Cayman Islands law. A summary of relevant provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Companies law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as of the date of its incorporation was HK$380,000 divided into 38,000,000 Shares with a par share of HK$0.01 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

(a) on 27 July 2018, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber, and such Share was transferred at par to Fupin Investment on the same date;

(b) on 27 July 2018, 9,999 Shares were allotted and issued to the following companies:

- (i) 433 Shares were allotted and issued to Fupin Investment;
- (ii) 4,436 Shares were allotted and issued to Zhongzhi Holding;
- (iii) 2,882 Shares were allotted and issued to Zuoting Investment;
- (iv) 1,235 Shares were allotted and issued to Weixin Development;
- (v) 965 Shares were allotted and issued to Huiqun Investment; and
- (vi) 48 Shares were allotted and issued to Yuxing Holding;

(c) on 13 December 2018, 40,000 Shares were allotted and issued to the following companies:

(i) 17,369 Shares were allotted and issued to Honchuen Investment;

(ii) 9,393 Shares were allotted and issued to Zuoting Investment;

(iii) 5,425 Shares were allotted and issued to Weixin Development;

(iv) 3,075 Shares were allotted and issued to Real Smart Investment;

(v) 2,930 Shares were allotted and issued to Huiqun Investment; and

(vi) 1,808 Shares were allotted and issued to Fupin Investment;

(d) on 30 January 2019, 2,632 Shares were allotted and issued to Zhanpeng Investment; and

(e) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of par value of HK$0.01 each by the creation of an additional 9,962,000,000 Shares of par value of HK$0.01 each, ranking pari passu with the existing shares in all respects.

Assuming that the Global Offering becomes unconditional, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and excluding any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$15,000,000 divided into 1,500,000,000 Shares, all fully paid or credited as fully paid and 8,500,000,000 Shares will remain unissued.

Other than Shares to be issued pursuant to the exercise of the Over-allotment Option, Share Option Scheme and the general mandate to issue the Shares referred to in the paragraph headed "4. Written resolutions of our Shareholders passed on 3 October 2019" in this Appendix, our Directors do not have any present intention to issue any Share out of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

3. Changes in the share capital of our subsidiaries

Subsidiaries of our Company are referred to in the Accountant's Report set out in Appendix I. Save as set out above and disclosed in "History, Corporate Structure and Reorganisation", there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 3 October 2019

Pursuant to the resolutions in writing of our Shareholders passed on 3 October 2019:

(a) conditional upon Listing, the Memorandum and the Articles were approved and adopted with effect from the Listing Date;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of par value of HK$0.01 each by the creation of an additional 9,962,000,000 Shares of par value of HK$0.01 each, ranking pari passu with the existing shares in all respects.

(c) conditional upon the conditions stated in the section ''Structure and Conditions of the Global Offering — Conditions of the Global Offering'' in this prospectus being fulfilled or waived:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares;

(ii) the Share Option Scheme was approved and adopted and the Directors were authorised to grant options thereunder, to allot and issue such number of Shares pursuant thereto, and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) condition on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 1,199,947,368 Shares, credited as fully paid at par, to our Shareholders whose names appear on the register of members of our Company at 5: 00 p.m. on 7 November 2019 (or such other time as our Directors may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company by way of capitalisation of a sum of approximately HK$11,999,473.68 standing to the credit of the share premium account of our Company, and that the Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares;

(iv) a general unconditional mandate (''**Issuing 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, 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 the sum of (a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering; and (b) the aggregate number of Shares repurchased by our Company pursuant to the authority granted to our Directors referred to in ''General Mandate to Repurchase Shares'' in this section. The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Global Offering or the Capitalisation Issue. Such Issuing Mandate will expire at the earliest of (a) the conclusion of our Company's next annual general meeting; or (b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold the next annual general meeting; or (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all the powers of our Company to repurchase such number of Shares representing not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering. This Repurchase Mandate only relates to repurchases 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. Please refer to the paragraph headed "A. Further Information about our Group — 7. Repurchase by our Company of our own securities" in this appendix for further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares. Such Repurchase Mandate will expire at the earliest of (a) the conclusion of our Company's next annual general meeting; or (b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold the next annual general meeting; or (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting; and

(vi) the Issuing Mandate was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under the Issuing Mandate of an amount representing the aggregate number of Shares repurchased by our Company under the Repurchase Mandate.

5. Reorganisation

In preparation for the Global Offering, our Group has undertaken the Reorganisation, details of which are set out in the section headed "History, Corporate Structure and Reorganisation — Reorganisation".

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in Note 1.2 to the Accountant's Report, the text of which is set forth in "Appendix I — Accountant's Report".

7. Repurchase by our Company of our own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Trading restriction

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 share in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from 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 shares if that repurchase would result in the number of listed shares 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 shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the cash of any premium payable on the repurchase, out of profits of our Company on out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Source of fund

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Companies Law. A listed company may not repurchase its own securities on the Stock Exchange at a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the cash of any premium payable on the repurchase, out of profits of our Company on out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Companies Law, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive 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 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 (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its 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 a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a ''core connected person'', that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the 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, the Articles of Association, the Listing Rules and the Cayman Companies Law.

If the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,500,000,000 Shares representing the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, could accordingly result in up to 150,000,000 Shares being repurchased by us during the Relevant Period until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold the next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the general mandate to repurchase Shares in accordance with the Listing Rules and Cayman Companies Law.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our voting rights is increased, the 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 our Company 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 of repurchases which would arise under the Takeovers Code.

None of the core connected persons of our Company has notified us that he or she or it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the general mandate to repurchase Shares is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

(a) a shareholder capital contribution transfer agreement (股東轉讓出資合同書) dated 5 January 2018 entered into between Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) and Xinji Group Company Limited* (信基集團有限公司), and co-signed by other natural person shareholders, pursuant to which Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) transferred its entire capital contribution of RMB7.3 million in Guangzhou Yaodu Investment Company Limited* (廣州耀都投資有限公司) (representing 73% of the registered capital of the company) to Xinji Group Company Limited* (信基集團有限公司) at a consideration of RMB7.3 million;

(b) an equity transfer agreement (股權轉讓協議) dated 29 March 2018 entered into between Xinji Group Company Limited* (信基集團有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Guangzhou Panyu Dashi Fuli Furniture Plaza Company Limited* (廣州市番禺大石富麗傢俬廣場有限公司), pursuant to which Xinji Group Company Limited* (信基集團有限公司) transferred its entire subscribed capital contribution of RMB8 million in Guangdong Xinji Household Company Limited* (廣東信基家居有限公司) (representing 80% of the registered capital of the company), of which RMB1.6 million was paid up, to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), at a consideration of RMB1.6 million. The remaining capital contribution of RMB6.4 million shall be payable by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司);

(c) an equity transfer agreement (股權轉讓協議) dated 29 March 2018 entered into between Guangzhou Panyu Dashi Fuli Furniture Plaza Company Limited* (廣州市番禺大石富麗傢俬廣場有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Xinji Group Company Limited* (信基集團有限公司), pursuant to which Guangzhou Panyu Dashi Fuli Furniture Plaza Company Limited* (廣州市番禺大石富麗傢俬廣場有限公司) transferred its entire subscribed capital contribution of RMB2 million in Guangdong Xinji Household Company Limited* (廣東信基家居有限公司) (representing 20% of the registered capital of the company), of which RMB400,000 was paid up, to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), at a consideration of RMB400,000. The remaining capital contribution of RMB1.6 million shall be payable by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司);

(d) a shareholder capital contribution transfer agreement (股東轉讓出資合同書) dated 31 March 2018 entered into between Xinji Group Company Limited* (信基集團有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by other natural person shareholders and Guangzhou Huazhan Exhibition Planning Company Limited* (廣州華展展覽策劃有限公司), pursuant to which Xinji Group Company Limited* (信基集團有限公司) transferred its entire subscribed capital contribution of RMB5.1 million in Guangdong Xinji Huazhan Exhibition Company Limited* (廣東信基華展展覽有限公司) (representing 51% of the registered capital of the company), of which RMB1.53 million was paid up, to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), at a consideration of RMB1.53 million. The remaining capital contribution of RMB3.57 million shall be payable by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司);

(e) a shareholder capital contribution transfer agreement (股東轉讓出資合同書) dated 23 August 2018 entered into between Guangzhou Huazhan Exhibition Planning Company Limited* (廣州華展展覽策劃有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by other natural person shareholders, pursuant to which Guangzhou Huazhan Exhibition Planning Company Limited* (廣州華展展覽策劃有限公司) transferred part of its subscribed capital contribution of RMB2.9 million in Guangdong Xinji Huazhan Exhibition Company Limited* (廣東信基華展展覽有限公司) (representing 29% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at nil consideration;

(f) an equity transfer agreement (股權轉讓協議) dated 20 April 2018 entered into between Zhang Bingquan (張炳泉) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Xinji Group Company Limited* (信基集團有限公司), Shanghai Dingshang Advertising Company Limited* (上海鼎尚廣告有限公司) and other natural person shareholders, pursuant to which Zhang Bingquan (張炳泉) transferred his entire subscribed capital contribution of RMB500,000 in Guangzhou Xinji Dajing Electronic Commerce Company Limited* (廣州信基達境電子商務有限公司) (representing 25% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB500,000;

(g) an equity transfer agreement (股權轉讓協議) dated 20 April 2018 entered into between Xinji Group Company Limited* (信基集團有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Shanghai Dingshang Advertising Company Limited* (上海鼎尚廣告有限公司) and other natural person shareholders, pursuant to which Xinji Group Company Limited* (信基集團有限公司) transferred its entire subscribed capital contribution of RMB240,000 in Guangzhou Xinji Dajing Electronic Commerce Company Limited* (廣州信基達境電子商務有限公司) (representing 12% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB240,000;

(h) an equity transfer agreement (股權轉讓協議) dated 20 April 2018 entered into between Mei Jiawei (梅嘉煒) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Xinji Group Company Limited* (信基集團有限公司), Shanghai Dingshang Advertising Company Limited* (上海鼎尚廣告有限公司) and other natural person shareholders, pursuant to which Mei Jiawei (梅嘉煒) transferred his entire subscribed capital contribution of RMB100,000 in Guangzhou Xinji Dajing Electronic Commerce Company Limited* (廣州信基達境電子商務有限公司) (representing 5% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB100,000;

(i) an equity transfer agreement (股權轉讓協議書) dated 28 June 2018 entered into between Mei Yingpei (梅應培) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Shenyang Shaxi International Hospitality Supplies Expo Centre Company Limited* (瀋陽沙溪國際酒店用品博覽中心有限公司), pursuant to which Mei Yingpei (梅應培) transferred 10% equity interest in Shenyang Shaxi International Hospitality Supplies Expo Centre Company Limited* (瀋陽沙溪國際酒店用品博覽中心有限公司) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB1 million;

(j) an equity transfer agreement (股權轉讓協議書) dated 28 June 2018 entered into between Xinji Group Company Limited* (信基集團有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Shenyang Shaxi International Home Furnishings Expo Centre Company Limited* (瀋陽沙溪國際家居用品博覽中心有限公司), pursuant to which Xinji Group Company Limited* (信基集團有限公司) transferred 90% equity interest in Shenyang Shaxi International Home Furnishings Expo Centre Company Limited* (瀋陽沙溪國際家居用品博覽中心有限公司) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB9 million;

(k) an equity transfer agreement (股權轉讓協議書) dated 28 June 2018 entered into between Mei Yingpei (梅應培) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Shenyang Shaxi International Home Furnishings Expo Centre Company Limited* (瀋陽沙溪國際家居用品博覽中心有限公司), pursuant to which Mei Yingpei (梅應培) transferred 10% equity interest in Shenyang Shaxi International Home Furnishings Expo Centre Company Limited* (瀋陽沙溪國際家居用品博覽中心有限公司) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB1 million;

(l) a shareholder capital contribution transfer agreement (股東轉讓出資協議) dated 1 August 2018 entered into between Dragon Richly Development Limited (龍暉發展有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司) and Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司), pursuant to which Dragon Richly Development Limited (龍暉發展有限公司) transferred its registered capital of RMB10 million in Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司) (representing 19.69% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB500,000;

(m) a shareholder capital contribution transfer agreement (股東轉讓出資協議) dated 23 August 2018 entered into between Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司) and Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) and Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司), pursuant to which Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司) transferred its registered capital of RMB40.8 million in Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司) (representing 80.31% of the registered capital of the company) to Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) at a consideration of RMB74,277,572;

(n) a capital contribution and share increase agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司增資擴股協議書) dated 24 October 2018 entered into among Cheung Hon Chuen (張漢泉), Zhang Weixin (張偉新), Mei Zuoting (梅佐挺), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) and Dragon Richly International Investment Limited (龍暉國際投資有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州

沙溪國際酒店用品城有限公司), pursuant to which, among others, Dragon Richly International Investment Limited (龍暉國際投資有限公司) agreed to contribute RMB819,000 to the registered capital in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司);

(o) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Dragon Richly International Investment Limited (龍暉國際投資有限公司) and Hongkong Xinji Shaxi Hotel Supplies Development Limited (香港信基沙溪酒店用品發展有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) and other natural person shareholders, pursuant to which Dragon Richly International Investment Limited (龍暉國際投資有限公司) transferred its subscribed capital contribution of RMB819,000 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 6.15% of the registered capital of the company) to Hongkong Xinji Shaxi Hotel Supplies Development Limited (香港信基沙溪酒店用品發展有限公司) at a consideration of RMB4,900,458.43;

(p) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Cheung Hon Chuen (張漢泉) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司), Dragon Richly International Investment Limited (龍暉國際投資有限公司), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and other natural person shareholders, pursuant to which Cheung Hon Chuen (張漢泉) transferred his subscribed capital contribution of RMB3,602,900 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 27.05% of the registered capital of the company) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) at a consideration of RMB3,602,900;

(q) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Mei Zuoting (梅佐挺) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司), Dragon Richly International Investment Limited (龍暉國際投資有限公司), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and other natural person shareholders, pursuant to which Mei Zuoting (梅佐挺) transferred his subscribed capital contribution of RMB3,602,900 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 27.05% of the registered capital of the company) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) at a consideration of RMB3,602,900;

(r) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Zhang Weixin (張偉新) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司), Dragon Richly International Investment Limited (龍暉國際投資有限公司), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and other natural person shareholders, pursuant to which Zhang Weixin (張偉新) transferred his subscribed capital contribution of RMB1,544,200 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 11.59% of the registered capital of the company) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) at a consideration of RMB1,544,200;

(s) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司), Dragon Richly International Investment Limited (龍暉國際投資有限公司) and other natural person shareholders, pursuant to which Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) transferred its subscribed capital contribution of RMB2.5 million in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 18.77% of the registered capital of the company) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) at a consideration of RMB2.5 million;

(t) an equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司股權轉讓合同) dated 25 December 2018 entered into between Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) and co-signed by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), Dragon Richly International Investment Limited (龍暉國際投資有限公司), Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and other natural person shareholders, pursuant to which

Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) transferred its subscribed capital contribution of RMB1.25 million in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 9.39% of the registered capital of the company) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) at a consideration of RMB1.25 million;

(u) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Dragon Richly International Investment Limited (龍暉國際投資有限公司) and Hongkong Xinji Shaxi Hotel Supplies Development Limited (香港信基沙溪酒店用品發展有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed but unpaid capital contribution of RMB819,000 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 6.15% of the registered capital of the company) from Dragon Richly International Investment Limited (龍暉國際投資有限公司) to Hongkong Xinji Shaxi Hotel Supplies Development Limited (香港信基沙溪酒店用品發展有限公司) was adjusted to nil;

(v) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Cheung Hon Chuen (張漢泉) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed capital contribution of RMB3,602,900 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 27.05% of the registered capital of the company) from Cheung Hon Chuen (張漢泉) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) was adjusted to RMB21,554,000;

(w) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Mei Zuoting (梅佐挺) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed capital contribution of RMB3,602,900 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒

店用品城有限公司) (representing 27.05% of the registered capital of the company) from Mei Zuoting (梅佐挺) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) was adjusted to RMB21,554,000;

(x) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Zhang Weixin (張偉新) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed capital contribution of RMB1,544,200 in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 11.59% equity interest in the registered capital of the company) from Zhang Weixin (張偉新) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) was adjusted to RMB9,235,200;

(y) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed capital contribution of RMB2.5 million in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 18.77% of the registered capital of the company) from Guangzhou Huiqun Trading Company Limited* (廣州匯群貿易有限公司) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) was adjusted to RMB14,956,400;

(z) a supplemental agreement to the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》之補充協議) dated 18 January 2019 entered into between Guangzhou Fupin Trading Company Limited* (廣州福品貿易有限公司) and Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司), pursuant to which clause 1 of the equity transfer agreement of Guangzhou Shaxi International Hospitality Supplies City Company Limited* (《廣州沙溪國際酒店用品城有限公司股權轉讓合同》) dated 25 December 2018 was amended to the effect that the consideration for the transfer of the subscribed capital contribution of RMB1.25 million in Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (representing 9.39% of the registered capital of the company) from Guangzhou

Fupin Trading Company Limited* (廣州福品貿易有限公司) to Guangzhou Xinji Shaxi Industrial Investment Co., Ltd.* (廣州信基沙溪實業投資有限公司) was adjusted to RMB7,482,200;

(aa) an investment agreement (投資協議書) in relation to Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司) dated 30 January 2019 entered into among Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司), Zhanpeng Investment (Hongkong) Company Limited (展鵬投資(香港)有限公司), Cheung Hon Chuen (張漢泉), Mei Zuoting (梅佐挺), Zhang Weixin (張偉新), Honchuen Investment Limited, Zuoting Investment Limited and Weixin Development Overseas Limited pursuant to which, among others, the parties agreed that Zhanpeng Investment (Hongkong) Company Limited (展鵬投資(香港)有限公司) shall invest HK$130,000,000 in Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司) (the ''Company''), 50% of which shall be used for subscribing ordinary shares newly issued by the Company and the remaining of which shall be used for purchasing shares in the Company from transferors, so that the total number of shares in the Company to be held is 5,264 shares;

(bb) a deed of indemnity dated 22 October 2019 and executed by Honchuen Investment Limited, Zuoting Investment Limited, Weixin Development Overseas Limited, Cheung Hon Chuen (張漢泉), Mei Zuoting (梅佐挺) and Zhang Weixin (張偉新) in favour of Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set forth in the paragraph headed ''E. Other Information — 1. Tax and other indemnity'' in this Appendix;

(cc) a deed of non-competition dated 22 October 2019 and executed by Honchuen Investment Limited, Zuoting Investment Limited, Weixin Development Overseas Limited, Cheung Hon Chuen (張漢泉), Mei Zuoting (梅佐挺) and Zhang Weixin (張偉新) in favour of Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set forth in the section headed ''Relationship with Controlling Shareholders — Non-Competition Undertaking'' in this prospectus; and

(dd) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights.

(a) *Trademarks*

(i) *Trademarks for which registration has been granted*

As at the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
1.	信基沙溪	Hong Kong	304431898	Guangzhou Shaxi Hotel	16, 35, 36, 37	12 February 2018 to 11 February 2028
2.		Hong Kong	304473306	Guangzhou Shaxi Hotel	16, 35, 36, 37	26 March 2018 to 25 March 2028
3.	沙溪好特	PRC	7037966	Guangzhou Shaxi Hotel	36	28 July 2010 to 27 July 2020
4.		PRC	8056453	Guangzhou Shaxi Hotel	36	7 April 2011 to 6 April 2021
5.	沙溪豪泰	PRC	8109870	Guangzhou Shaxi Hotel	36	7 May 2011 to 6 May 2021
6.	沙溪豪泰	PRC	8109889	Guangzhou Shaxi Hotel	35	14 June 2011 to 13 June 2021
7.	沙溪新翼	PRC	8610834	Guangzhou Shaxi Hotel	36	14 October 2011 to 13 October 2021
8.	沙溪国际	PRC	8610851	Guangzhou Shaxi Hotel	36	21 March 2012 to 20 March 2022
9.	信基沙溪	PRC	9511419	Guangzhou Shaxi Hotel	42	14 June 2012 to 13 June 2022
10.	信基沙溪	PRC	9511420	Guangzhou Shaxi Hotel	41	14 June 2012 to 13 June 2022
11.	信基沙溪	PRC	9511421	Guangzhou Shaxi Hotel	39	14 June 2012 to 13 June 2022
12.	信基沙溪	PRC	9511422	Guangzhou Shaxi Hotel	37	14 June 2012 to 13 June 2022
13.	信基沙溪	PRC	9511423	Guangzhou Shaxi Hotel	36	14 June 2012 to 13 June 2022

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
14.	信基沙溪	PRC	9511424	Guangzhou Shaxi Hotel	35	14 June 2012 to 13 June 2022
15.	信基沙溪	PRC	9511425	Guangzhou Shaxi Hotel	21	14 June 2012 to 13 June 2022
16.	信基沙溪	PRC	9511426	Guangzhou Shaxi Hotel	20	14 June 2012 to 13 June 2022
17.	信基沙溪	PRC	32946193	Guangzhou Shaxi Hotel	15	7 May 2019 to 6 May 2029
18.	信基沙溪	PRC	32946143	Guangzhou Shaxi Hotel	11	7 May 2019 to 6 May 2029
19.	信基沙溪	PRC	32945376	Guangzhou Shaxi Hotel	45	7 May 2019 to 6 May 2029
20.	信基沙溪	PRC	32945364	Guangzhou Shaxi Hotel	44	7 May 2019 to 6 May 2029
21.	信基沙溪	PRC	32929948	Guangzhou Shaxi Hotel	19	7 May 2019 to 6 May 2029
22.	信基沙溪	PRC	32932442	Guangzhou Shaxi Hotel	22	7 May 2019 to 6 May 2029
23.	信基沙溪	PRC	32932457	Guangzhou Shaxi Hotel	23	7 May 2019 to 6 May 2029
24.	信基沙溪	PRC	32934291	Guangzhou Shaxi Hotel	25	7 May 2019 to 6 May 2029
25.	信基沙溪	PRC	32934468	Guangzhou Shaxi Hotel	43	7 May 2019 to 6 May 2029
26.	信基沙溪	PRC	32935872	Guangzhou Shaxi Hotel	16	7 May 2019 to 6 May 2029
27.	信基沙溪	PRC	32937155	Guangzhou Shaxi Hotel	31	7 May 2019 to 6 May 2029
28.	信基沙溪	PRC	32937479	Guangzhou Shaxi Hotel	18	7 May 2019 to 6 May 2029
29.	信基沙溪	PRC	32937541	Guangzhou Shaxi Hotel	24	7 May 2019 to 6 May 2029
30.	信基沙溪	PRC	32937874	Guangzhou Shaxi Hotel	26	7 May 2019 to 6 May 2029

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
31.	信基沙溪	PRC	32937900	Guangzhou Shaxi Hotel	27	7 May 2019 to 6 May 2029
32.	信基沙溪	PRC	32943352	Guangzhou Shaxi Hotel	32	7 May 2019 to 6 May 2029
33.	信基沙溪	PRC	32943364	Guangzhou Shaxi Hotel	33	28 April 2019 to 27 April 2029
34.	信基沙溪	PRC	32943521	Guangzhou Shaxi Hotel	14	7 May 2019 to 6 May 2029
35.	信基沙溪	PRC	32943569	Guangzhou Shaxi Hotel	17	7 May 2019 to 6 May 2029
36.	信基沙溪	PRC	32943725	Guangzhou Shaxi Hotel	40	7 May 2019 to 6 May 2029
37.	信基沙溪	PRC	32943838	Guangzhou Shaxi Hotel	34	7 May 2019 to 6 May 2029
38.	信基沙溪	PRC	32929408	Guangzhou Shaxi Hotel	30	28 April 2019 to 27 April 2029
39.	信基沙溪	PRC	32927807	Guangzhou Shaxi Hotel	38	7 May 2019 to 6 May 2029
40.	信基沙溪	PRC	32929000	Guangzhou Shaxi Hotel	29	7 May 2019 to 6 May 2029
41.	信基沙溪	PRC	32926624	Guangzhou Shaxi Hotel	28	28 April 2019 to 27 April 2029
42.	信基沙溪	PRC	32918950	Guangzhou Shaxi Hotel	8	28 April 2019 to 27 April 2029
43.	信基沙溪	PRC	32923733	Guangzhou Shaxi Hotel	12	7 May 2019 to 6 May 2029
44.	信基沙溪	PRC	32925426	Guangzhou Shaxi Hotel	13	7 May 2019 to 6 May 2029
45.	信基沙溪	PRC	32904912	Guangzhou Shaxi Hotel	5	28 April 2019 to 27 April 2029
46.	信基沙溪	PRC	32906646	Guangzhou Shaxi Hotel	10	28 April 2019 to 27 April 2029
47.	信基沙溪	PRC	32909522	Guangzhou Shaxi Hotel	2	28 April 2019 to 27 April 2029

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
48.	信基沙溪	PRC	32909527	Guangzhou Shaxi Hotel	3	28 April 2019 to 27 April 2029
49.	信基沙溪	PRC	32909538	Guangzhou Shaxi Hotel	4	28 April 2019 to 27 April 2029
50.	信基沙溪	PRC	32910746	Guangzhou Shaxi Hotel	9	28 April 2019 to 27 April 2029
51.	信基沙溪	PRC	32902027	Guangzhou Shaxi Hotel	7	21 June 2019 to 20 June 2029
52.	信基沙溪	PRC	32898255	Guangzhou Shaxi Hotel	1	7 May 2019 to 6 May 2029
53.	信基沙溪	PRC	32896343	Guangzhou Shaxi Hotel	6	21 June 2019 to 20 June 2029
54.	迎宾豪泰	PRC	5443397	廣州萬華房地產經營有限公司	36	14 November 2009 to 13 November 2019
55.	迎宾豪泰 VIP HOTELEX	PRC	5443398	廣州萬華房地產經營有限公司	36	14 November 2009 to 13 November 2019
56.	迎宾豪泰 VIP HOTELEX	PRC	5443399	廣州萬華房地產經營有限公司	37	14 November 2009 to 13 November 2019
57.	美迹生活	PRC	12467661	Guangzhou Xinji Dajing	35	21 March 2015 to 20 March 2025
58.	高格	PRC	13705729	Guangzhou Xinji Dajing	20	21 August 2015 to 20 August 2025
59.	高格	PRC	13705753	Guangzhou Xinji Dajing	21	28 August 2015 to 27 August 2025
60.	信基高格	PRC	13705791	Guangzhou Xinji Dajing	35	21 February 2015 to 20 February 2025
61.	高格	PRC	13718346	Guangzhou Xinji Dajing	8	7 February 2015 to 6 February 2025
62.	信基高格	PRC	28138766	Guangzhou Xinji Dajing	11	28 November 2018 to 27 November 2028
63.	信基高格	PRC	31904637	Guangzhou Xinji Dajing	25	21 March 2019 to 20 March 2029
64.	信基高格	PRC	31892362	Guangzhou Xinji Dajing	24	21 March 2019 to 20 March 2029

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
65.	信基高格	PRC	31893136	Guangzhou Xinji Dajing	3	21 March 2019 to 20 March 2029
66.	信基高格	PRC	31895440	Guangzhou Xinji Dajing	21	21 March 2019 to 20 March 2029
67.		PRC	5040625	Xinji Huazhan	35	14 March 2019 to 13 March 2029
68.		PRC	5040626	Xinji Huazhan	41	28 May 2019 to 27 May 2029

(ii) Trademarks under application

As at the Latest Practicable Date, we have made application for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Application	Application No.	Applicant	Class	Application Date
1.		PRC	8056480	Guangzhou Shaxi Hotel	35	5 February 2010
2.	沙溪新翼	PRC	8609089	Guangzhou Shaxi Hotel	35	25 August 2010
3.	信基高格	PRC	39704437	Guangzhou Xinji Dajing	21	17 July 2019

(b) Domain Names

As at the Latest Practicable Date, we are the registrant of the following domain names which we consider to be or may be material to our business:

Domain Name	Registrant	Expiry Date
xinjisx.com	Guangzhou Shaxi Hotel	30 June 2020
xjdsjsc.com	Guangzhou Shaxi Hotel	29 August 2020
xjsx.net.cn	Guangzhou Shaxi Hotel	15 June 2028
xjgaoge.com	Guangzhou Xinji Dajing	27 February 2020
xjgaoge.cn	Guangzhou Xinji Dajing	27 February 2020
xjsx.online	Guangzhou Shaxi Hotel	27 March 2029
xinjisx.cn	Guangzhou Shaxi Hotel	26 March 2029
xinjishaxi.com	Guangzhou Shaxi Hotel	26 March 2029

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and/or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange, will be as follows:

Director	Company concerned	Capacity/nature of interest	Class and number of securities held[1]	Percentage of Interest in the company concerned
Mr. Cheung	Honchuen Investment[2,5]	Beneficial owner	782,910,000 (L)	52.2%
Mr. Mei	Zuoting Investment[3,5]	Beneficial owner	782,910,000 (L)	52.2%
Mr. Zhang	Weixin Development[4,5]	Beneficial owner	782,910,000 (L)	52.2%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. As at the Latest Practicable Date, Honchuen Investment was wholly owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.

3. As at the Latest Practicable Date, Zuoting Investment was wholly owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.

4. As at the Latest Practicable Date, Weixin Development was wholly owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.

5. On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Concert Parties Agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the Concert Parties Agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO. For details, please refer to "Relationship with Controlling Shareholders — Our Controlling Shareholders".

2. Interests and/or short positions discloseable under the SFO and our substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" and below, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

3. Particulars of service agreements and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company under which they have agreed to act as our executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

(b) Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as non-executive Director for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than one month's written notice to terminate the appointment letter.

(c) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as independent non-executive Director for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than one month's written notice to terminate the appointment letter.

(d) Remuneration of our Directors

During the three years ended 31 December 2018 and the four months ended 30 April 2019, total remuneration (including salaries, other social security costs, housing benefits and other employee benefits, and pension costs) paid by us to our Directors amounted to approximately RMB126,000, RMB969,000, RMB1,258,000 and RMB420,000, respectively.

Under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any commission or discretionary bonus payable to our Directors) in respect of the year ending 31 December 2019 is estimated to be approximately RMB1.5 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed under this paragraph, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholders passed on 3 October 2019.

1. Conditions

(a) The Share Option Scheme is conditional upon:

(i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;

(ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of our Shareholders;

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Global Coordinators (as defined in the Prospectus) (acting for and on behalf of the Underwriters (as defined in the Prospectus)) and not being terminated in accordance with its terms or otherwise; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus:

(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.

(c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

(a) The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.

(b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

(c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls 10 years (the "**Termination Date**") after the date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a)(ii) (the "**Adoption Date**"), after which period no further options may be issued 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 or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his/her personal representative (the "**Grantee**") shall ensure that the acceptance of an offer, the holding and exercise of his/her option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his/her option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

(a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but not be bound, at any time within a period of 10 years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such Exercise Price (as defined in paragraph 4), as our Directors shall, subject to paragraph 4, determine:

(i) any employee (the "**Eligible Employee**") (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**");

(ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

(b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive of our Company or substantial shareholder, or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).

(c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his/her contribution to the development and growth of our Group.

(d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "Subscription Period" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period determined by our Directors (which may not be more than 21 days from the offer date).

(e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:

(i) the name, address and position of the Eligible Participant;

(ii) the number of Shares under the option in respect of which the offer is made and the Exercise Price for such Shares;

(iii) the Subscription Period in respect of which the offer is made or, as the case may be, the Subscription Period in respect of separate parcels of Shares under the option comprised in the offer;

(iv) the last date by which the offer must be accepted;

(v) the procedure for acceptance;

(vi) the performance target(s) that must be attained by the Eligible Participant before any option can be exercised (if any);

(vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and

(viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, inter alia, paragraphs 2(d) and 5(a).

(f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer. Such remittance shall in no circumstances be refundable.

(g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our Company together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer. Such remittance shall in no circumstances be refundable.

(h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.

(i) The Subscription Period of an option may not end later than 10 years after the offer date of that option.

(j) Options will not be listed or dealt in on the Stock Exchange.

(k) For so long as the Shares are listed on the Stock Exchange:

(i) our Company may not grant any option after inside information has come to our knowledge until we have announced the information. In particular, we may not grant any option during the period commencing one month immediately before the earlier of:

(aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce 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 announcement; and

(ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. Exercise Price

The Exercise Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(c) the nominal value of the Share,

except that for the purpose of calculating the Exercise Price under paragraph 4(b) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

5. Exercise of options

(a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.

(b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(c) Subject to, inter alia, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) 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 so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for Shares in respect of which the notice is given. Within 21 days (seven days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.

(d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Subscription Period provided that:

(i) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

(ii) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee for any reason other than his/her death, ill-health or retirement in accordance with his/her contract of employment or the termination of his/her employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph

5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;

(iii) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all our Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the Grantee shall, notwithstanding any other terms on which his/her options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

(iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Subscription Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his/her option not less than one day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

(v) if the Grantee is a company wholly-owned by one or more Eligible Participants:

(aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and

(bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of the Subscription Period

(a) The Subscription Period in respect of any option shall automatically terminate

(i) the expiry of the Subscription Period;

(ii) the expiry of any of the periods referred to in paragraph 5(d);

(iii) the date of commencement of the winding-up of our Company;

(iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his/her employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);

(v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his/her close associate has committed any breach of any contract entered into between such Grantee or his/her close associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and

(vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.

(b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

(c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

(a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.

(b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 150,000,000 Shares (the "**General Scheme Limit**") provided that:

(i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and

(ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.

(c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12- month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his/her close associates (or his/her associates if such Grantee is a connected person of our Company) abstaining from voting.

(d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already 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% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK$5 million;

such further grant of options must be approved by our Shareholders in general meeting and the Grantee, his associate and all core connected persons of our Company must abstain from voting in favour at such general meeting.

(e) For the purpose of seeking the approval of our Shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) The circular to be issued by the Company to its shareholders pursuant to paragraph 7(e) 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 Eligible Participant which must be fixed before the shareholders' meeting and the offer date (which shall be the date of the Board meeting at which the Board proposes to grant the proposed Options to that Eligible Participant);

(ii) a recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director who is the relevant Grantee) to the independent shareholders of the Company as to voting;

(iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

8. Adjustments to the Exercise Price

(a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

(ii) the Exercise Price of any option; and/or

(iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;

(iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

(c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

(a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

(b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph 7(b) (i) or 7(b)(ii).

10. Share capital

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. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an Option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

(a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that:

(i) the provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "Grantee", "Subscription Period" and "Termination Date"; and

(ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules; shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of our Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

(b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(d) The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant rules, codes and guidance notes of the Stock Exchange from time to time.

13. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

14. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnity

Each of our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group on 22 October 2019 to provide the following indemnities.

Tax indemnities

Under the Deed of Indemnity, among others, the Controlling Shareholders unconditionally and irrevocably agree with us that they will jointly and severally indemnify and at all times keep us fully indemnified on demand against taxation and taxation claim, together with all necessary costs (including all legal costs), expenses, all interests, penalties or other liabilities which we may properly and reasonably incur in connection with:

(a) the investigation, assessment, contesting or the settlement of any claim under the Deed of Indemnity;

(b) any legal proceedings in which we claims under or in respect of the Deed of Indemnity and in which judgment is given for us;

(c) the enforcement of any such settlement or judgment referred to in (a) and (b) above, falling on us resulting from or by reference to any income, profits or gains earned, accrued or received, entered into on or before the date of the Deed of Indemnity, or any event, act or omission occurring or deemed to occur on or before the date of the Deed of Indemnity, or any event, act or omission occurring or deemed to occur on or before the date of the Deed of Indemnity whether alone or in conjunction with any other event, act, omission or circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, or arising from the withholding tax obligation or the reorganisation of our Group described in the paragraph headed ''Reorganisation'' in the section headed ''History, Corporate Structure and Reorganisation'' on or before the date of Deed of Indemnity, whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any of the members of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued in our ordinary course of business; or

(b) to the extent that such taxation claim or liability for such taxation falls on us in respect of the accounting period commencing on or after 1 May 2019 unless such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, the Controlling Shareholders or us (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Listing Date; or

(c) to the extent that such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

(d) to the extent that such taxation claims or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practise thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any part of the world) coming into force after the date of the Deed of Indemnity or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(e) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 30 April 2019, which is finally established to be an or an excessive reserve in which case the Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Controlling Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Estate duty indemnities

Under the Deed of Indemnity, among others, the Controlling Shareholders unconditionally and irrevocably agree with us that they will jointly and severally indemnify and at all times keep us fully indemnified on demand against any depletion in or reduction in value of our respective assets or increase in our respective liabilities, or any loss or depreciation of any relief of us, as a consequence of, and in respect of any amount which we become liable to pay, being:

(a) any duty which is or hereafter payable by us by virtue of section 35 and/or 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of us or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to us at any time on or prior to the date of the Deed of Indemnity; or

(b) any amount recovered against us under the provision of section 43(7) of the Estate Duty Ordinance or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the asset of our Group or any of such assets for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to us on or prior to the date of the Deed of Indemnity; or

(c) any amount of duty which we are obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) in respect of the death of any person in any case where the assets of another company or any of them are deemed for the purpose of estate duty to be included in the property passing on that person's death by reason of that person making or having made a relevant transfer to that other company and by reason of us having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance, in each case at any time on or prior to the date of the Deed of Indemnity, but only to the extent to which we are unable to recover an amount or amounts in respect of that duty from any other person under the provisions of section 43(7)(a) of the Estate Duty Ordinance; or

(d) any claim which has arisen or may arise wholly or partly in respect of or in consequence of any act or omission occurring on or before the Deed of Indemnity.

Notwithstanding any other provision of the Deed of Indemnity, the Controlling Shareholders will not be liable for any penalty imposed on us under section 42 of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the relevant company defaulting in any obligation to give information to the Commissioner of Estate Duty under section 42(1) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong), but the Controlling Shareholders shall be liable for any interest on unpaid duty.

2. Material claims or litigation

As at the Latest Practicable Date, no member of our Group was subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on our operations, financials and reputation.

3. No Material Adverse Change

Save as disclose in the section headed "Summary — Recent Development and No Material Adverse Change", the Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 April 2019, the date of the latest audited combined financial statements of our Group.

4. The Sole Sponsor

Save for the advisory fees in the amount of approximately HK$8 million to be paid to the Sole Sponsor as the sponsor in connection with the Listing, the advisory fees to be paid to the Sole Sponsor as our compliance adviser with effect from the Listing Date and the commission as disclosed in the section headed "Underwriting" in this prospectus to be paid to the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers for its obligations under the Underwriting Agreements, neither the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers nor any of their respective close associates has or may, as a result of the Listing, have any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities).

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

5. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK$396,968 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Agency fees or commission

Save as disclosed in the section headed "History, Corporate Structure and Reorganisation", within 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 share or loan capital of any member of our Group.

8. Qualifications of experts

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
RaffAello Capital Limited	Licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal advisers to the Company as to Cayman Islands law
King & Wood Mallesons	Legal advisers to the Company as to PRC law
Liaoning Kaiyu Law Firm	Legal advisers to the Company as to PRC litigation law
Guangdong Hopesun Law Firm	Legal advisers to the Company as to PRC trust law
RSM Consulting (Hong Kong) Limited	Internal control consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
AVISTA Valuation Advisory Limited	Property valuer
Leung Wai-Keung, Richard	Barrister-at-law in Hong Kong

9. Consent of experts

Each of the experts as referred to in the paragraph headed "8. Qualifications of experts" above in this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary and/or certificate and/or opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts as referred to in the paragraph headed "8. Qualifications of experts" has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

10. Particulars of the Selling Shareholders

(A)	Name:	Honchuen Investment Limited
	Place of incorporation:	the BVI
	Date of incorporation:	31 May 2018
	Registered office:	Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands
	Number of Sale Shares to be sold:	37,553,455 Shares
	Interest of our Director in the Sale Shares:	Honchuen Investment Limited is wholly-owned by Mr. Chueng, an executive Director and a Controlling Shareholder
(B)	Name:	Zuoting Investment Limited
	Place of incorporation:	the BVI
	Date of incorporation:	31 May 2018
	Registered office:	Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands
	Number of Sale Shares to be sold:	24,496,206 Shares
	Interest of our Director in the Sale Shares:	Zuoting Investment Limited is wholly-owned by Mr. Mei, an executive Director and a Controlling Shareholder
(C)	Name:	Weixin Development Overseas Limited
	Place of incorporation:	the BVI
	Date of incorporation:	31 May 2018
	Registered office:	Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands
	Number of Sale Shares to be sold:	12,950,339 Shares
	Interest of our Director in the Sale Shares:	Weixin Development Overseas Limited is wholly-owned by Mr. Zhang, an executive Director and a Controlling Shareholder

11. Miscellaneous

Save as disclosed in this section, within the two years immediately preceding the date of this prospectus:

(a) none of our Directors nor any of the parties listed in the paragraph headed "8. Qualifications of experts" in this appendix has any direct or indirect interest in the promotion of, or in any asset which have been, acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors nor any of the parties listed in the paragraph headed "8. Qualifications of experts" in 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;

(c) none of the Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than payment of statutory compensation);

(d) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(e) we have not issued or agreed to issue any founder or management or deferred Shares nor any outstanding debentures;

(f) within the two years preceding the date of this prospectus, there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group;

(g) within the two years preceding the date of this prospectus, no share or loan capital or debentures of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;

(h) we have no outstanding debentures or convertible debt securities;

(i) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(j) no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group, and none of our Directors nor any of the parties listed in the paragraph headed "8. Qualifications of experts" in this Appendix has received any such payment or benefit;

(k) no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

1. Documents Delivered to the Registrar of Companies in Hong Kong

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in "Appendix V — Statutory and General Information — E. Other information — 9. Consent of experts" to this prospectus;

(c) copies of the material contracts referred to in "Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" to this prospectus; and

(d) the statement of particulars of the Selling Shareholders referred to in "Appendix V — Statutory and General Information — E. Other information — 10. Particulars of the Selling Shareholders" to this prospectus.

2. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. of 12/F, Prince's Building, 10 Chater Road, 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 accountant's report from PricewaterhouseCoopers, the text of which is set out in "Appendix I — Accountant's Report";

(c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019;

(d) the report on unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in "Appendix II — Unaudited Pro Forma Financial Information";

(e) the property valuation report issued by AVISTA Valuation Advisory Limited, the text of which is set out in "Appendix III — Property Valuation Report";

(f) the legal opinions issued by King & Wood Mallesons, our legal advisers as to PRC law;

(g) the legal opinion issued by Liaoning Kaiyu Law Firm, our legal advisers as to PRC litigation law;

(h) the legal opinion issued by Guangdong Hopesun Law Firm, our legal advisers as to PRC trust law;

(i) the counsel opinion issued by Mr. Leung Wai-Keung, Richard, our legal counsel as to Hong Kong law;

(j) the internal control review report issued by RSM Consulting (Hong Kong) Limited, our internal control consultant;

(k) the Industry Report;

(l) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Company Law referred to in "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" to this prospectus;

(m) the Companies Law;

(n) the material contracts referred to in "Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" to this prospectus;

(o) the service agreements and appointment letters referred to in "Appendix V — Statutory and General Information — C. Further information about our Directors and substantial shareholders — 3. Particulars of service agreements and appointment letters" to this prospectus;

(p) the written consents referred to in "Appendix V — Statutory and General Information — E. Other information — 9. Consent of experts" to this prospectus;

(q) the rules of the Share Option Scheme; and

(r) the statement of particulars of the Selling Shareholders referred to in "Appendix V — Statutory and General Information — E. Other information — 10. Particulars of the Selling Shareholders" to this prospectus.

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD