

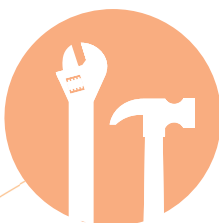
XINGYE WULIAN SERVICE GROUP CO. LTD.

興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 9916

GLOBAL OFFERING



Sole Sponsor



中泰國際
ZHONGTAI INTERNATIONAL

Sole Global Coordinator



中泰國際
ZHONGTAI INTERNATIONAL

Joint Bookrunners



中泰國際
ZHONGTAI INTERNATIONAL



交銀國際
BOCOM International



海通國際
HAITONG

IMPORTANT

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

Xingye Wulian Service Group Co. Ltd.

興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	90,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$2.00 per Offer Share (payable in full on application, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund) and expected to be not less than HK\$1.50 per Offer Share
Nominal value	:	HK\$0.01 per Share
Stock code	:	9916

Sole Sponsor



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ZHONGTAI INTERNATIONAL

Sole Global Coordinator



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ZHONGTAI INTERNATIONAL

Joint Bookrunners



中泰國際
ZHONGTAI INTERNATIONAL



交銀國際
BOCOM International



海通國際
HAITONG

Joint Lead Managers



中泰國際
ZHONGTAI INTERNATIONAL



交銀國際
BOCOM International



海通國際
HAITONG



中民金融
CM Financial



第一上海
FIRST SHANGHAI GROUP



利得證券



盛源證券有限公司
SHENG YUAN SECURITIES LIMITED



VICTORY 勝利
SECURITIES 證券

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection – Documents delivered to the Registrar of Companies in Hong Kong" set out 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 Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

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

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 2 March 2020 or such later time as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), but in any event no later than Tuesday, 3 March 2020. The Offer Price will be not more than HK\$2.00 per Offer Share and is currently expected to be not less than HK\$1.50 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.00 per Offer Share, unless otherwise announced, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$2.00 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative Offer Price range will be published on the website of our Company at www.xingyewulian.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for Hong Kong Offer Shares" of this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Tuesday, 3 March 2020, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" of this prospectus. It is important that you carefully read that section for further details.

The Offer Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable U.S. state securities law. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

25 February 2020

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offer commences and **WHITE**
and **YELLOW** Application Forms available from9:00 a.m. on Tuesday,
25 February 2020

Latest time for completing electronic applications under
HK eIPO White Form service through one of the below ways⁽²⁾:

(1) the designated website at **www.hkeipo.hk**11:30 a.m. on Friday,
28 February 2020

(2) the **IPO App**, which can be downloaded by searching
“**IPO App**” in App Store or Google Play or downloaded
at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

Application lists open⁽³⁾11:45 a.m. on Friday,
28 February 2020

Latest time to lodge **WHITE** and **YELLOW**
Application Forms12:00 noon on Friday,
28 February 2020

Latest time to give **electronic application**
instructions to HKSCC⁽⁴⁾12:00 noon on Friday,
28 February 2020

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 Friday,
28 February 2020

Application lists close⁽³⁾12:00 noon on Friday,
28 February 2020

Expected Price Determination Date⁽⁵⁾Monday,
2 March 2020

Announcement of:

- (i) the final Offer Price;
- (ii) the level of indication of interest in the International Placing;
- (iii) the level of applications in the Hong Kong Public Offering; and
- (iv) the basis of allotment of the Hong Kong Public Offering
(with successful applicants' identification document
numbers, where applicable) to be published on our
website at **www.xingyewulian.com** and the website of
the Stock Exchange at **www.hkexnews.hk** on or before Friday,
6 March 2020

Announcement of results of allocations in the Hong Kong Public
Offering (with successful applicants' identification document
numbers, where appropriate) to be available through a
variety of channels as described in the section headed
“How to apply for Hong Kong Offer Shares –
11. Publication of results” fromFriday,
6 March 2020

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result or at www.hkeipo.hk/IPOResult or IPO App , with a “search by ID” function from	Friday, 6 March 2020
Despatch/Collection of Share certificates in respect of wholly or partially successful applications on or before ⁽⁶⁾	Friday, 6 March 2020
Despatch/Collection of refund cheques or HK eIPO White Form e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications on or before ⁽⁷⁾⁽⁸⁾	Friday, 6 March 2020
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Monday, 9 March 2020

Notes:

- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering” of this prospectus.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk or **IPO App** 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.
- (3) If there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 28 February 2020, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Hong Kong Offer Shares – 10. Effect of bad weather and Extreme Conditions on the opening of the application lists” of this prospectus. If the application lists do not open on Friday, 28 February 2020, the dates mentioned in this section may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
- (5) The Price Determination Date is expected to be on or about Monday, 2 March 2020, and in any event will not be later than Tuesday, 3 March 2020. If, for any reason, the Offer Price is not agreed on or before Tuesday, 3 March 2020, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, 6 March 2020 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong 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 Friday, 6 March 2020, identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have **HK eIPO White Form** e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Friday, 6 March 2020. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** service, on Friday, 6 March 2020, by ordinary post and at their own risk.

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. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share certificates and refund monies" of this prospectus.

- (8) Refund cheques will be issued (if applicable) and **HK eIPO White Form** e-Auto Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, see the section headed "Structure and conditions of the Global Offering" of this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus 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. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any jurisdiction other than Hong Kong and in any other circumstances.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. 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. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in 1999, we are a reputable property management service provider in Henan Province with a particular focus on offering property management and value-added services for non-residential properties. According to the Savills Report, we were the fourth largest non-residential property management service provider in Henan Province in terms of GFA for properties under management in 2018, with our market share of approximately 0.6% in Henan Province in 2018. In 2019, we were also ranked 67 in the Top 100 Property Management Companies in the PRC in terms of overall strength according to the CIA and the China Real Estate Top 10 Research Team. Our portfolio of properties under management expanded rapidly during the Track Record Period, with the GFA increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our portfolio of properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate and our portfolio of contracted properties has GFA of approximately 4.1 million sq.m. in aggregate. During the Track Record Period, a significant portion of our properties under management were developed by Zensun Group, our connected person. Zensun Group is a leading property developer and a Class I Real Estate Development Enterprise in the PRC. It was recognised as a top 50 property developer in China in 2018 and 2019 by China Real Estate Association (中國房地產協會) in terms of comprehensive property development ability, and has been ranked first among property developers in Zhengzhou, Henan Province in terms of contracted sales and floor area sold for a consecutive seven years from 2012 to 2018. In addition to the typical property management and value-added services, since 2017, we have started to provide property engineering services to our customers. Details of our two business segments are summarised as follows:

- *Property Management and Value-added Services* – We provide a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. For property management services, we charge our customers of our properties under management (e.g. property owners for sold properties and property developers for unsold properties) a property management fee for the provision of such property management services on a lump-sum basis, which is usually paid in advance semi-annually. For value-added services, we generally charge a fee which is payable when such value-added services are rendered.
- *Property Engineering Services* – We provide our customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to enhance the quality of the property management systems of our customers. The time required and service fee charged for each individual project are based on the complexity and the scope of service required by our customer. The payment is generally due upon achieving certain milestones or successful completion of the projects.

During the Track Record Period, majority of our revenue was generated from property management and value-added services in Zhengzhou, Henan Province, which amounted to approximately RMB47.3 million, RMB76.1 million, RMB107.5 million and RMB111.8 million, respectively, representing 100.0%, 100.0%, approximately 82.0% and 87.8% of our total revenue, respectively. The general increasing trend was attributable to the continuous expansion of our portfolio of properties under management.

SUMMARY

The following table sets out the breakdown of our revenue by type of services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management and value-added services										
– Property management services	45,532	96.3	72,046	94.7	102,918	78.5	75,289	83.9	105,355	82.8
– Value-added services	1,744	3.7	4,022	5.3	4,562	3.5	3,518	4.0	6,435	5.0
Property engineering services ^(Note 1)	–	–	–	–	18,297	14.0	6,651	7.4	14,776	11.6
Ancillary food supply services ^(Note 2)	–	–	–	–	5,269	4.0	4,235	4.7	730	0.6
Total	47,276	100.0	76,068	100.0	131,046	100.0	89,693	100.0	127,296	100.0

Notes:

- Our Group commenced business in providing property engineering services in October 2017 and started to generate revenue during the year ended 31 December 2018.
- The revenue generated from ancillary food supply services consists of selling of agricultural products to the canteens of our customers. Our Directors confirmed that the last contract relating to our ancillary food supply services ended in August 2019.

The following table sets out the breakdown of our revenue between Independent Third Parties and related parties for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Independent Third Parties	40,412	85.5	66,022	86.8	90,358	69.0	69,935	78.0	92,722	72.8
Related parties	6,864	14.5	10,046	13.2	40,688	31.0	19,758	22.0	34,574	27.2
Total	47,276	100.0	76,068	100.0	131,046	100.0	89,693	100.0	127,296	100.0

During the Track Record Period, our revenue derived from Independent Third Parties represented mainly the property management and value-added service fees received from property owners. Revenue derived from related parties represented mainly the property management and value-added service fees, property engineering service fees and ancillary food supply service fees received from Zensun Group.

COMPETITIVE STRENGTHS

Our Directors believe that we have the following major strengths to compete in the property management industry:

- We are an established property management service provider and one of the Top 100 Property Management Companies in the PRC;
- We are uniquely positioned in Zhengzhou, Henan Province to take advantage of the overall growth in property management industry in China;
- We have a strong leverage on large project portfolio of Zensun Group;
- We have an experienced and dedicated management team; and
- We have a strong commitment to safety, environment and quality.

For details, please refer to the section headed “Business – Competitive strengths” of this prospectus.

SUMMARY

BUSINESS STRATEGIES

To create long-term shareholder value, our principal business strategies are to:

- Continue to focus on mid to high-end non-residential properties and plan to take on additional property management projects;
- Selectively pursue merger and acquisition opportunities within the property management industry;
- Participate in an early stage of construction projects with a view to winning the property management agreement tender at a later stage of the projects;
- Continue to develop our mobile application to enhance our customer and user experience;
- Continue to develop our property engineering services; and
- Continue to upgrade our information technology systems to enhance our operational efficiency in our property management business.

For details, please refer to the section headed “Business – Business strategies” of this prospectus.

PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES

Our Group commenced to provide property management and value-added services in 1999. In 2015, we began to focus on the provision of property management services for non-residential properties. We position ourselves as a mid to high-end property management service provider for non-residential properties. We normally price our property management services based on a number of factors, including (i) the nature and location of the properties; (ii) scope and quality of the service required; (iii) expected operational costs (including staff costs, subcontracting costs and operational administrative expenses); (iv) local government pricing guidance on property management fees (if any); and (v) potential competitors’ pricing.

Our portfolio of properties under management expanded significantly during the Track Record Period. Our GFA increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our portfolio for properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate. The following table sets out the breakdown of GFA for our properties under management by type of properties as at the dates indicated:

	As at 31 December						As at 30 September			
	2016		2017		2018		2018		2019	
	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%
Commercial building	614,736	88.7	1,099,123	90.2	1,505,948	93.2	1,480,859	93.1	1,985,008	94.2
School	59,276	8.6	59,276	4.9	–	–	–	–	–	–
Governmental building	19,200	2.7	59,253	4.9	109,033	6.8	109,033	6.9	121,144	5.8
Total	693,212	100.0	1,217,652	100.0	1,614,981	100.0	1,589,892	100.0	2,106,152	100.0

During the Track Record Period, all commercial buildings under our management were developed by Zensun Group, whereas all schools and governmental buildings under our management were developed by independent property owners. During the Track Record Period, most of our revenue from property management services was derived from non-residential properties developed by Zensun Group, which amounted to approximately 94.0%, 88.2%, 88.3% and 87.7% of our revenue from property management and value-added services for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Since we have a strong leverage on the non-residential properties developed by Zensun Group, by maintaining a long-term cooperative relationship with Zensun Group, we expect that our provision of property management and value-added services to properties developed by Zensun Group will continue to be the major source of revenue in the foreseeable future. We also endeavour to expand our cooperation with independent property developers and local government.

SUMMARY

The following table sets out the breakdown of our revenue from property management services by type of properties and value-added services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management services										
- Commercial building	44,436	94.0	67,068	88.2	94,935	88.3	69,675	88.4	98,070	87.7
- School	541	1.1	570	0.7	84	0.1	84	0.1	-	-
- Governmental building	555	1.2	4,408	5.8	7,899	7.4	5,530	7.0	7,285	6.5
	45,532	96.3	72,046	94.7	102,918	95.8	75,289	95.5	105,355	94.2
Value-added services	1,744	3.7	4,022	5.3	4,562	4.2	3,518	4.5	6,435	5.8
Total	47,276	100.0	76,068	100.0	107,480	100.0	78,807	100.0	111,790	100.0

During the Track Record Period, the property management fee generated from commercial buildings under our management was the largest contributor of our revenue from property management and value-added services. The property management fee generated from commercial buildings under our management amounted to approximately RMB44.4 million, RMB67.1 million, RMB94.9 million and RMB98.1 million for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively, representing approximately 94.0%, 88.2%, 88.3% and 87.7% of total revenue generated from our property management and value-added services for the corresponding periods.

PROPERTY ENGINEERING SERVICES

In October 2017, we commenced our business in providing property developers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems. The time required and service fee charged for each individual project are based on the complexity and the scope of service required by our customer. During the Track Record Period, we had undertaken 36 property engineering projects with an aggregated original contract sum of approximately RMB97.3 million (or original net of tax contract sum of approximately RMB88.8 million), and completed one property engineering project. All of these projects undertaken were from properties developed by Zensun Group. We adopt input method to recognise our revenue from property engineering projects based on the proportion of actual costs incurred relative to the estimated total costs of the projects. For the year ended 31 December 2018 and the nine months ended 30 September 2019, our revenue from property engineering services amounted to approximately RMB18.3 million and RMB14.8 million, respectively. Substantially all of the revenue was generated from our projects in Zhengzhou, Henan Province. The following table sets out the movement of backlog of our property engineering projects during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September	
	2016		2017		2018		2019	
	Number of contract(s)	Contract value	Number of contract(s)	Contract value	Number of contract(s)	Contract value	Number of contract(s)	Contract value
		RMB'000		RMB'000		RMB'000		RMB'000
As at 1 January	-	-	-	-	1	8,855	16	27,598
New contracts entered into ^(Note 1)	-	-	1	8,855	15	37,040	24	42,931
Contracts completed/Contract value recognised ^(Note 2) for the construction work	-	-	-	-	-	(18,297)	(1)	(14,776)
As at 31 December/ 30 September ^(Note 3)	-	-	1	8,855	16	27,598	39	55,753

Notes:

- Contract value of new contract entered into represents the original net of tax contract value of new contracts entered into during the relevant period. During the Track Record Period, we entered into 40 property engineering contracts, four of which were supplemental contracts, for a total number of 36 projects.
- Contract value recognised for the construction work represents the aggregate of revenue recognised based on the proportion of actual costs incurred relative to the estimated total costs of the projects under input method during the relevant period.
- Contract value as at the 31 December/30 September represents the outstanding net of tax contract value of our existing contracts as at the relevant date. Outstanding net of tax contract value of projects in our backlog is calculated by deducting the cumulative revenue in respect of the existing and/or completed projects from the original net of tax contract value of the existing projects as at the relevant date.

SUMMARY

CUSTOMERS

Our Group's customers mainly include property developers, property owners and governmental bodies. During the Track Record Period, our revenue attributable to the five largest customers accounted for approximately 20.7%, 22.2%, 38.5% and 34.9% of our total revenue, respectively, and our revenue attributable to the largest customer accounted for approximately 14.5%, 13.1%, 31.0%, and 27.1% of our total revenue, respectively. Save for Zensun Group, our largest customer, all of our five largest customers during the Track Record Period are Independent Third Parties.

SUPPLIERS

Our suppliers comprise mainly (i) subcontractors for provision of labour intensive and technical services for our property management and value-added services; (ii) suppliers of tools for our property management and value-added services; (iii) suppliers of materials for our property engineering services; and (iv) subcontractors for provision of labour intensive and technical services for our property engineering services. All of our suppliers were located in the PRC. During the Track Record Period, all of our five largest suppliers are Independent Third Parties, purchases from them collectively accounted for approximately 86.7%, 89.0%, 70.3% and 75.4%, respectively of our total purchased amount for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, and purchases from the largest of which accounted for approximately 79.7%, 61.8%, 54.0%, and 56.6%, respectively of our total purchased amount for each of three years ended 31 December 2018 and for the nine months ended 30 September 2019.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report set out in Appendix I to this prospectus, including the notes thereto.

Highlight of our consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income and gross profit margin for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	47,276	76,068	131,046	89,693	127,296
Gross profit	22,308	38,206	62,291	44,269	58,591
Profit for the year/period ..	11,486	19,279	34,220	26,296	28,118
Gross profit margin					
– Overall	47.2%	50.2%	47.5%	49.4%	46.0%
– Property management and value-added services	47.2%	50.2%	53.6%	53.0%	49.2%
– Property engineering services	–	–	24.4%	23.9%	24.2%

The total revenue of our Group increased significantly from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB131.0 million for the year ended 31 December 2018, representing a CAGR of approximately 66.4%. Our total revenue amounted to approximately RMB89.7 million and RMB127.3 million for the nine months ended 30 September 2018 and 2019, respectively. Our net profit increased significantly from approximately RMB11.5 million for the year ended 31 December 2016 to approximately RMB34.2 million for the year ended 31 December 2018, representing a CAGR of approximately 72.5%. Our net profit amounted to approximately RMB26.3 million and RMB28.1 million for the nine months ended 30 September 2018 and 2019, respectively. The increase in our Group's revenue and net profit was mainly driven by the continuous expansion of our portfolio of properties under management during the Track Record Period and commencement of our property engineering business in 2017.

SUMMARY

During the Track Record Period, our overall gross profit had been on an increasing trend which was generally in line with the growing trend of our total revenue resulting from our business expansion. Our overall gross profit margin increased from approximately 47.2% for the year ended 31 December 2016 to approximately 50.2% for the year ended 31 December 2017. The increase was driven by the growth of our property management and value-added services. The decrease in our overall gross profit margin from approximately 50.2% for the year ended 31 December 2017 to approximately 47.5% for the year ended 31 December 2018 was mainly contributed by the recognition of revenue from our property engineering services which generally has a lower gross profit margin as compared to our property management and value-added services. The slight decrease in our overall gross profit margin from approximately 47.5% for the year ended 31 December 2018 to approximately 46.0% for the nine months ended 30 September 2019 was mainly due to the decrease in gross profit margin from our property management and value-added services.

Property management and value-added services

During the Track Record Period, our gross profit of property management and value-added services had generally been on an increasing trend. Our overall gross profit margin increased from approximately 47.2% for the year ended 31 December 2016 to approximately 50.2% for the year ended 31 December 2017. The increase was mainly contributed by the effect of economies of scale resulting from expansion of portfolio of properties under management. The further increase in gross profit margin of our property management and value-added services from approximately 50.2% for the year ended 31 December 2017 to approximately 53.6% for the year ended 31 December 2018 was primarily due to (i) the effect of economies of scale resulting from continuous expansion of portfolio of properties under management in close proximity which allows us to better allocate our resources hence lower our labour costs; (ii) the significant increase in proportion of GFA of commercial buildings under our management from where we generally charged a higher property management fee; and (iii) the adoption of information technology to enhance our operation standardisation and automation resulting in increased operational efficiency. The slight decrease in gross profit margin from approximately 53.6% for the year ended 31 December 2018 to approximately 49.2% for the nine months ended 30 September 2019 was mainly attributable to the fact that under the lump-sum basis revenue model, we bore repair and maintenance expenses of approximately RMB2.7 million for Jianzheng Dongfang Centre (建正東方中心) for the nine months ended 30 September 2019.

Property engineering services

Gross profit margin from our property engineering services generally has a lower gross profit margin as compared to our property management and value-added services, since the property engineering systems provided by us involved the costs of materials, hardware and components purchased from suppliers. For the year ended 31 December 2018 and the nine months ended 30 September 2019, our gross profit margin of property engineering services remained relatively stable at approximately 24.4% and 24.2%, respectively.

Highlight of certain items of our consolidated statements of financial position

The following table sets out a summary of our consolidated statements of financial position as at the date indicated:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,465	3,491	3,640	5,905
Current assets	48,499	127,901	188,290	179,700
Current liabilities	24,365	43,570	69,793	76,619
Net current assets	24,134	84,331	118,497	103,081
Non-current liabilities	936	826	921	2,277
Net assets	24,663	86,996	121,216	106,709

SUMMARY

Our Group's non-current assets represented mainly the fixed assets used in our headquarters and the management centers in our properties under management. Our current assets represented mainly cash and cash equivalents and trade receivables due from our customers including Zensun Group and property owners. Our current liabilities included mainly (i) contract liabilities which represented mainly the prepaid property management fees received from our customers; and (ii) other payables and accruals which include mainly the utilities receipts and deposits received from property owners and decoration companies and amounts due to our related parties which consisted of vacant parking space rental income and temporary parking income collected by us on behalf of Zensun Group. The increase in our net current assets and net assets from as at 31 December 2016 to as at 31 December 2018 was mainly contributed by the cash inflow from our operations and two rounds of capital contributions to our major operating subsidiary, Xingye IOT Management in 2016 and 2017. The decrease in our net assets from as at 31 December 2018 to as at 30 September 2019 was mainly due to payment of cash dividend to the then shareholders of Xingye IOT Management during the nine months ended 30 September 2019.

Highlight of our consolidated statements of cash flows

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash flows from operating activities	20,199	48,994	42,438	31,432	29,500
Net cash flows used in investing activities	(294)	(2,075)	(567)	(294)	(310)
Net cash flows from/(used in) financing activities	5,000	41,164	–	–	(44,020)
Net increase/(decrease) in cash and cash equivalents	24,905	88,083	41,871	31,138	(14,830)

During the Track Record Period, our Group recorded strong cash inflow from operating activities which was mainly driven by rapid expansion of our portfolio of properties under management. Our Group recorded continuous cash outflow for investing activities during the Track Record Period, which was mainly due to the payment for the purchases of fixed assets (including those electronic equipment and facilities for our “Huiyan Technology Centre (慧眼科技中心)”) to support the continuous expansion of our business. Our Group recorded cash inflow from financing activities for the year ended 31 December 2016 and 2017, which was mainly contributed by the capital contributions to Xingye IOT Management from the then shareholder and investors. In 2016, Xingye IOT Management had a capital contribution of RMB5.0 million from Zensun Development, the then sole shareholder. In 2017, Xingye IOT Management had another round of capital contribution of RMB58.5 million made by Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management, the cash inflow from capital contribution was partially offset by the dividend payment of approximately RMB17.3 million to the then shareholder of Xingye IOT Management. For the nine months ended 30 September 2019, we recorded cash outflow from financing activities, which was mainly contributed by the dividend payment to the then shareholders of Xingye IOT Management of approximately RMB42.6 million. For further details and discussion about our cash position, please refer to the section headed “Financial information – Liquidity and capital resources – Cash flows” of this prospectus.

SUMMARY

Key financial ratios

The following table sets out key financial ratios of our Group during the periods indicated:

	As at/for the year ended 31 December			As at/for the nine months ended 30 September
	2016	2017	2018	2019
Current ratio	2.0x	2.9x	2.7x	2.3x
Return on assets	32.1%	21.3%	21.2%	19.9%
Return on equity	70.0%	34.5%	32.9%	32.9%
Gearing ratio	N/A	N/A	N/A	N/A
Net debt to equity ratio	Net cash position	Net cash position	Net cash position	Net cash position
Interest coverage	N/A	N/A	N/A	N/A

For detailed calculation method of those financial ratios, please refer to the section headed “Financial information – Key financial ratios” of this prospectus.

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any of the Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option), approximately 56.59% and 18.41% of our total issued share capital are held by Foison Amber Development and Eco-Victory, respectively. As at the Latest Practicable Date, Foison Amber Development is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established in the BVI on 16 August 2019 by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries as at the Latest Practicable Date. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. As advised by Harney Westwood & Riegels LP, Ms. Zhang, as the protector of the Blossom Trust and the sole director of Foison Amber Development and Fast Achieve, is entitled to, despite she does not directly hold any Share, indirectly exercise or control the exercise of the voting power of the general meetings of our Company or in a position to control the composition of a majority of our Board. Accordingly, Ms. Zhang, Foison Amber Development, Glory Reach and Fast Achieve will become a group of our Controlling Shareholders under the Listing Rules upon the Listing. For details of our shareholdings and information about our Controlling Shareholders, please refer to the sections headed “History, development and Reorganisation” and “Relationship with Controlling Shareholders”, respectively, of this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors estimate, on the bases set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, certain profit estimate data of our Group for the year ended 31 December 2019 are set out as follows:

Estimated consolidated profit attributable to owners of our Company ^(Note)	Not less than RMB34.0 million
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Note: The estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 has taken into account the expected listing expenses incurred for the year ended 31 December 2019 of approximately RMB10.1 million.

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our Group’s audited consolidated results for the nine months ended 30 September 2019 included in the Accountants’ Report set out in Appendix I to this prospectus and our Group’s unaudited consolidated results for the three months ended 31 December 2019.

SUMMARY

OFFER STATISTICS

All statistics in the following table are based on the assumption that the Over-allotment Option is not exercised.

	Offer Price of HK\$1.50 per Offer Share (low-end of the indicative Offer Price range)	Offer Price of HK\$2.00 per Offer Share (high-end of the indicative Offer Price range)
Market capitalisation of the Shares	HK\$600 million	HK\$800 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(note)	HK\$0.64	HK\$0.75

Note: For the assumptions and calculation method, please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.75 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$2.00 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$144.2 million. We intend to allocate the net proceeds from the Global Offering as follows: (i) approximately 72.3%, to be used for the expansion of our business, through the acquisition of suitable acquisition targets in enhancing our coverage in new geographical regions in the PRC or our capabilities to undertaking or providing property management services to different types of properties to supplement our business and to optimise our business structure and achieve synergy; (ii) approximately 7.2%, to be used for enhancing our property engineering services with a view to expanding our property management portfolio; (iii) approximately 10.5%, to be used for enhancing our property management services to further enhance our service quality and ensure the efficiency of our operations; and (iv) approximately 10.0%, to be used for general working capital. For details please refer to the section headed “Future plans and use of proceeds” of this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$1.75 per Offer Share (being the mid-point of the indicative Offer Price range), we expect to incur estimated total listing expenses of approximately HK\$30.8 million (equivalent to approximately RMB26.6 million) of which (i) approximately RMB17.7 million is expected to be charged to our consolidated statements of profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, among which approximately RMB8.6 million has been recognised in our consolidated statements of profit or loss for the nine months ended 30 September 2019; and (ii) approximately RMB8.9 million is expected to be accounted for as a deduction from equity upon the Listing. Expenses in relation to the Listing are non-recurring in nature. Our Group’s result of operations for the year ended 31 December 2019 and the year ending 31 December 2020 will be affected by such expenses in relation to the Listing. Our Directors would like to emphasise that such expenses are current estimate for reference only, and the final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions.

DIVIDENDS

For each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, we declared and paid an aggregated dividend of nil, approximately RMB17.3 million, nil and approximately RMB42.6 million, respectively. The dividends were declared to provide returns to the then shareholders of Xingye IOT Management on their respective investments, and is not an indicator of the dividend to be declared in the future. Our Directors intend to declare dividends, if any, in HK dollars with respect to Shares on a per Share basis and will pay such dividends in HK dollars. Any final dividend for a financial year will be subject to our Shareholders’ approval. Our Company currently does not have a dividend policy in place. For subsequent years, our Directors may recommend declaration of final dividends or interim dividends, if any, after taking into account, among other things, our results of operations, financial condition and position, operating and capital requirements, the amount of distributable profits based on IFRSs, the Articles, applicable laws and regulations, prevailing economic climate and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

SUMMARY

RISK FACTORS

There are certain risks involved in our business operations and in connection with the Global Offering, many of which are beyond our control. Any of the factors set out under the section headed “Risk factors” of this prospectus may limit our ability to execute our business strategy successfully. For example, (i) we may not be able to grow our portfolio of properties under management as planned; (ii) we cannot assure you that we can procure new property management agreements; (iii) our future growth will depend on the prospect of Zensun Group, as a significant portion of our revenue is derived from property management services and property engineering services we provide in relation to properties developed by Zensun Group; (iv) termination or non-renewal of our preliminary property management agreements or property management agreements could have a material adverse effect on our business, financial position and results of operations; and (v) we may experience fluctuations in our labour and subcontracting costs, etc.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk factors” of this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, our Group had not fully complied with certain applicable laws and regulations in the PRC. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our Group’s financial and operational aspects. Please refer to the section headed “Business – Legal proceedings and compliance” of this prospectus for detailed information of these non-compliance incidents.

COMPETITION

According to the Savills Report, the property management industry in China is highly fragmented with approximately 120,000 property management service providers operating in the industry in 2018. The highly fragmented market is favourable to sizeable companies with professional knowledge, financial strength and background with affiliation to developers. The market share of the Top 100 Property Management Companies in the PRC was approximately 38.9% in terms of total GFA managed in 2018. Major property management companies in China experienced a steady growth in terms of GFA under management. For details, please refer to the section headed “Business – Competition” of this prospectus.

RECENT DEVELOPMENT

Our Group’s business and revenue model as well as cost structure basically remained unchanged subsequent to the Track Record Period and up to the date of this prospectus. Subsequent to 30 September 2019 and up to the date of this prospectus, we contracted to provide property engineering services for 32 projects with an aggregate contract value of approximately RMB26.3 million and we have not contracted to provide any new property management services. However, since 30 September 2019, we had commenced the provision of property management services for one commercial building developed by Zensun Group and one industrial park developed by an independent property developer with a GFA of approximately 0.1 million sq.m. and 0.2 million sq.m., respectively. As at 31 December 2019 and the date of this prospectus, our GFA for properties under management were approximately 2.3 million sq.m. and 2.4 million sq.m., respectively.

In addition, despite the recent outbreak of COVID-19 in the PRC, our Directors confirm that the outbreak does not have material adverse effect on our Group’s continuing business operation and sustainability. For further details, please refer to the sections headed “Risk factors – Risks relating to the PRC – Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC”, “Regulations – Legal supervision over property management services – Prevention and control of pneumonia epidemic relating to property management services providers”, “Business – Impact of outbreak of COVID-19 on our business” and “Business – Social health, safety and environmental matters” of this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraphs headed “Recent development” and “Listing expenses” in this section, our Directors confirm that, since 30 September 2019 and up to the date of this prospectus, (i) there has been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the trading, operating and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 September 2019 and up to the date of this prospectus that would adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report prepared by the Reporting Accountants set out in Appendix I to this prospectus
“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, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association conditionally adopted by our Company on 7 February 2020 which will take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Blossom Trust”	the family trust established on 16 August 2019, by Ms. Huang Yanping as the settlor, with Vistra Trust (BVI) Limited acting as the trustee, Ms. Zhang acting as the protector and Ms. Zhang and her descendants appointed as discretionary beneficiaries as at the Latest Practicable Date. Please refer to the section headed “History, development and Reorganisation – Reorganisation” of this prospectus for further details
“Board of Directors” or “Board”	the board of Directors
“BOCOM International”	BOCOM International Securities Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the SFO, and being one of the Joint Bookrunners and one of the Joint Lead Managers
“business day”	any day (excluding Saturdays, Sundays and public holidays, or any day on which a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands

DEFINITIONS

“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capitalisation Issue”	the issue of 299,990,000 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and general information – Further information about our Group – 3. Resolutions of our Shareholders passed on 7 February 2020” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” ..	Xingye Wulian Service Group Co. Ltd. (興業物聯服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 12 August 2019

DEFINITIONS

“Controlling Shareholder(s)” . . .	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering, being, Ms. Zhang, Foison Amber Development, Glory Reach and Fast Achieve or any of them. Please refer to the section headed “Relationship with Controlling Shareholders” of this prospectus for further details
“Corporate Governance Code” . .	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“COVID-19”	coronavirus disease 2019
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	the deed of indemnity dated 18 February 2020 and given by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which our Controlling Shareholders agree to provide with us certain indemnities, a summary of which is set out in the section headed “Statutory and general information – Other information – 14. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 18 February 2020 given by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertaking by Controlling Shareholders” of this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Eco-Victory”	Eco-Victory Limited (盈域有限公司), a company limited by shares incorporated under the laws of the BVI on 2 January 2019 which is owned by 91 individual shareholders as at the Latest Practicable Date, and is one of our Substantial Shareholders
“Ever Diamond Group”	Ever Diamond Global Company Limited (永鑽環球有限公司), a company incorporated in Hong Kong with limited liability on 20 November 2012, and its subsidiaries. As at the Latest Practicable Date, 100% of the number of issued shares in Ever Diamond Global Company Limited are ultimately owned by a discretionary trust established by Ms. Huang Yanping as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust

DEFINITIONS

“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Extreme Conditions”	extreme conditions occurring after a super typhoon as announced by the Government of Hong Kong
“Fast Achieve”	Fast Achieve Global Limited (速達環球有限公司), a company limited by shares incorporated under the laws of the BVI on 3 July 2019 which is wholly-owned by Glory Reach, and is one of our Controlling Shareholders
“Foison Amber Development”	Foison Amber Development Limited (榮珀發展有限公司), a company limited by shares incorporated under the laws of the BVI on 2 January 2019 which is wholly-owned by Fast Achieve, and is one of our Controlling Shareholders
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Glory Reach”	Glory Reach Enterprises Limited (榮達企業有限公司), a company limited by shares incorporated under the laws of the BVI on 23 July 2019 which is wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust, and is one of our Controlling Shareholders
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
“Haifeng Management”	Henan Haifeng Enterprise Management Consulting Center (Limited Partnership)* (河南海豐企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on 22 December 2016 which was one of the shareholders of Xingye IOT Management prior to the Reorganisation

DEFINITIONS

“Haitong International”	Haitong International Securities Company Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Bookrunners and one of the Joint Lead Managers
“Henan Province”	Henan Province (河南省), a province located in the central part of the PRC
“HKD” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk or in the IPO App
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the website at www.hkeipo.hk or in the IPO App
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Share(s)”	the 10,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure and conditions of the Global Offering” of this prospectus
“Hong Kong Public Offering”	the issue and offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure and conditions of the Global Offering” of this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed “Structure and conditions of the Global Offering – The Hong Kong Public Offering” of this prospectus

DEFINITIONS

“Hong Kong Share Registrar” . . .	Tricor Investor Services Limited
“Hong Kong Underwriter(s)”	the underwriters of the Hong Kong Public Offering named in the section headed “Underwriting – Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 24 February 2020 relating to the Hong Kong Public Offering entered into by, among others, our Company, our executive Director, our Controlling Shareholders and the Hong Kong Underwriters, as further described in the section headed “Underwriting” of this prospectus
“Independent Third Party(ies)” . .	a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and conditions of the Global Offering” of this prospectus
“International Placing Share(s)” .	the 90,000,000 Shares initially being offered by us for subscription under the International Placing together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure and conditions of the Global Offering” of this prospectus
“International Placing Underwriter(s)”	the underwriters of the International Placing who are expected to enter into the International Placing Underwriting Agreement
“International Placing Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing expected to be entered into by, among others, our Company, our executive Director, our Controlling Shareholders and the International Placing Underwriters, as further described in the section headed “Underwriting” of this prospectus
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“Joint Bookrunners”	Zhongtai International Securities, BOCOM International and Haitong International

DEFINITIONS

“Joint Lead Managers”	Zhongtai International Securities, BOCOM International, Haitong International, CM Securities (Hongkong) Company Limited, First Shanghai Securities Limited, Lead Securities (HK) Limited, Sheng Yuan Securities Limited and Victory Securities Company Limited
“Latest Practicable Date”	16 February 2020
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, on or about Monday, 9 March 2020, on which dealing of the Shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to GEM of the Stock Exchange
“Memorandum”	the amended and restated memorandum of association of our Company adopted on 7 February 2020, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD” or “Ministry of Construction”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
“Ms. Zhang”	Ms. Zhang Huiqi (張惠琪), a non-executive Director and one of our Controlling Shareholders
“multi-purpose complexes”	non-residential properties constructed on land with multiple land uses according to the certificate of property
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), an equity trading platform for the sale of existing shares or private placing of new shares by small and medium sized enterprises in the PRC and is managed by National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“Nomination Committee”	the nomination committee of our Board
“non-residential properties”	properties which are not residential properties, including but not limited to office buildings, governmental buildings, shops, schools, industrial parks, multi-purpose complexes, etc.
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$2.00 and expected to be not less than HK\$1.50, such price to be agreed upon by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“Over-allotment Option”	the option to be granted by our Company to the International Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Placing Underwriters), pursuant to which our Company is required to allot and issue up to an aggregate of 15,000,000 Shares (representing in aggregate 15% of the Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Placing, details of which are described in the section headed “Structure and conditions of the Global Offering” of this prospectus
“PRC Legal Advisors”	Commerce & Finance Law Offices
“PRC Operating Entities”	Wuxiang Intelligent, Xingye IOT Management and Xingye Consulting

DEFINITIONS

“Price Determination Date”	the date, expected to be on or around Monday, 2 March 2020, but no later than Tuesday, 3 March 2020, on which the Offer Price is fixed for the purposes of the Global Offering
“Qian Zhiyi Management”	Henan Qian Zhiyi Enterprise Management Consulting Center (Limited Partnership)* (河南謙之毅企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on 23 December 2016 which was one of the shareholders of Xingye IOT Management prior to the Reorganisation
“QR code”	quick response code
“Regulation S”	Regulation S under the Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation of entities comprising our Group for the purpose of Listing, details of which are set out in the section headed “History, development and Reorganisation – Reorganisation” of this prospectus
“Reporting Accountants”	Ernst & Young, the auditors and reporting accountants of our Company
“residential properties”	properties constructed on land designated as residential land use or residential with ancillary commercial land use only according to the certificate of property, whereby residential use constitutes 70% or more of the total GFA according to the construction project planning permit
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局) (formerly known as 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))
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Savills”	Savills Valuation and Professional Services Limited (第一太平戴維斯估值及專業顧問有限公司), an independent valuation and consultancy services provider in Hong Kong, engaged by us for the purpose of producing the Savills Report

DEFINITIONS

“Savills Report”	a market research report prepared by Savills
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shenzhen Anlian”	Shenzhen Anlian Intelligent Holding Group Co., Ltd.* (深圳安聯智能控股集團有限公司), a company established in the PRC with limited liability on 5 February 2001, an Independent Third Party
“Siu Wing”	Siu Wing Holdings Limited (兆翔控股有限公司), a company limited by shares, incorporated under the laws of the BVI on 7 January 2019, which is directly wholly-owned by our Company
“SMEs”	small and medium-sized enterprises
“Sole Global Coordinator”	Zhongtai International Securities
“Sole Sponsor”	Zhongtai International Capital
“Stabilising Manager”	Zhongtai International Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Foison Amber Development on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2018 and the nine months ended 30 September 2019

DEFINITIONS

“Underwriter(s)”	the Hong Kong Underwriters and the International Placing Underwriters
“Underwriting Agreements”	the International Placing Underwriting Agreement and the Hong Kong Underwriting Agreement
“U.S.” or “United States”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollars”	United States dollar(s), the lawful currency of the U.S.
“VAT”	value-added tax
“WHITE Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be issued in an applicant’s own name
“Wuxiang Intelligent”	Henan Wuxiang Intelligent Technology Co., Ltd.* (河南物象智能科技有限公司), (formerly known as Henan Lianxiang Building Intelligent Engineering Co., Ltd.* (河南聯翔建築智能化工程有限公司)), a company established in the PRC with limited liability on 9 August 2017, which is directly wholly-owned by Xingye IOT Management
“Xiangcheng Investment”	Beijing Xiangcheng Investment Co., Ltd.* (北京祥誠投資有限公司), a company established in the PRC with limited liability on 26 July 2010, which is owned as to 98% and 2% by Ms. Zhang and Mr. Huang Yongsheng, respectively, and also a company that owns 90% of the registered capital of Zensun Development
“Xingye Consulting”	Henan Xingye Internet of Things Information Consulting Co., Ltd.* (河南興業物聯信息諮詢有限公司), a company established in the PRC with limited liability on 20 April 2018, which is directly wholly-owned by Xingye IOT Management
“Xingye IOT (HK)”	Xingye IOT Company Limited (興業物聯有限公司), a company established in Hong Kong with limited liability on 11 April 2019, and an indirect wholly-owned subsidiary of our Company

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“Xingye IOT Management”	Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司) (formerly known as Henan Xingye Property Management Co., Ltd.* (河南興業物業管理有限公司) and Henan Xingye Internet of Things Management Technology Shares Co., Ltd.* (河南興業物聯網管理科技股份有限公司)), a company established in the PRC with limited liability on 20 October 1999, which was owned as to approximately 75.45%, 7.82%, 8.55% and 8.18% by Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management, respectively, prior to the Reorganisation. As at the Latest Practicable Date, Xingye IOT Management is wholly-owned by Xingye IOT (HK)
“ YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Zensun Development”	Henan Zensun Enterprise Development Group Co., Ltd.* (河南正商企業發展集團有限責任公司) (formerly known as Henan Zensun Enterprise Development Co., Ltd.* (河南正商企業發展有限責任公司)), a company established in the PRC with limited liability on 12 September 2013, which is owned as to 90%, 9% and 1% by Xiangcheng Investment, Ms. Zhang and Mr. Zhang Jingguo, respectively, which was one of the shareholders of Xingye IOT Management prior to the Reorganization
“Zensun Development Group”	Zensun Development and its subsidiaries
“Zensun Enterprises Group”	Zensun Enterprises Limited (正商實業有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 185), and its subsidiaries. As at the Latest Practicable Date, 74.77% of the number of issued shares in Zensun Enterprises Limited are ultimately owned by a discretionary trust established by Ms. Huang Yanping as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust
“Zensun Group”	Ever Diamond Group, Zensun Enterprises Group and Zensun Development Group
“Zhongtai International Capital”	Zhongtai International Capital Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being the Sole Sponsor

DEFINITIONS

“Zhongtai International Securities”	Zhongtai International Securities Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and being the Sole Global Coordinator, one of the Joint Bookrunners and one of the Joint Lead Managers
“Zhuoneng Management”	Henan Zhuoneng Enterprise Management Consulting Center (Limited Partnership)* (河南卓能企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on 23 December 2016 which was one of the shareholders of Xingye IOT Management prior to the Reorganisation
“%”	per cents.

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

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.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“CCTV”	closed-circuit television
“CIA”	China Index Academy (中國指數研究院), an independent market research company
“commission basis”	a revenue model generally adopted by property management service providers in the PRC in which property management fees consist only of a prescribed percentage or a fixed amount of the total property management fees, payable by the property owners or property developers, whereas the remainder of such property management fees would be used to cover the expenses incurred in the management of the relevant properties. Any excess or shortfall of the property management fees (after deducting the relevant expenses) belong to or are borne by the property owners or property developers
“contracted properties”	total number of properties under management and pipeline properties
“GFA”	gross floor area
“GFA for pipeline properties” ...	total GFA specified in the preliminary property management agreement or property management agreement for pipeline properties
“GFA for properties under management”	total GFA specified in the preliminary property management agreement or property management agreement for properties under management
“IoT” or “Internet of Things”	the network of physical objects that contain embedded technology to communicate and sense or interact with their internal states or the external environment
“lump-sum basis”	a revenue model generally adopted by property management service providers in the PRC in which property management service providers will charge a pre-determined and pre-agreed “all-inclusive” property management fee per sq.m. or at a fixed price for the provision of management services, whereas the property management service provider will bear all costs and expenses incurred for managing the relevant properties

GLOSSARY OF TECHNICAL TERMS

“pipeline properties”	properties under preliminary property management agreement or property management agreement in relation to which provision of property management services has not yet commenced and relevant revenue has not yet been generated
“properties under management” .	properties under preliminary property management agreement or property management agreement in relation to which provision of property management services has commenced and relevant revenue has been generated
“sq.m.”	square meter(s)
“Top 100 Property Management Companies”	top 100 property management companies (中國物業服務百強企業), an annual rating of property management companies in the PRC by overall strength published by CIA based on a number of indicators
“unsold properties”	properties under management but not yet sold and delivered to property owners by property developers

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- our profit estimate and other prospective financial information;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook of the relevant industry and markets in general;
- capital market development;
- certain statement in the sections headed “Risk factors”, “Industry overview”, “Regulations”, “Business”, “Financial information”, “Relationship with Controlling Shareholders”, and “Future plans and use of proceeds” with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend;
- the general economic trend of China;
- the future development in relevant industry and markets; and
- other factors referenced in this prospectus.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” and the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in the operations of our Group, some of which are beyond our Group's control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering. Prospective investors investing in the Shares should consider carefully all the information set out in this prospectus and, in particular, this section in connection with an investment with our Group.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to grow our portfolio of properties under management as planned

Our GFA for properties under management increased during the Track Record Period from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. We have been expanding our portfolio of properties under management primarily through securing new property management engagements from Zensun Group, independent property developers and other property owners. We seek to continue to grow our portfolio of properties under management. For more details, please refer to the section headed "Business – Business strategies" of this prospectus. However, there is no assurance that we can grow our portfolio of properties under management as planned, which may have a material adverse effect on our business, financial performance and results of operations. Our growth may be affected by various factors beyond our control, such as China's general economic condition, developments in the real estate market, any change in laws and regulation for our operation and our ability to obtain sufficient financing for our growth. In addition, our ability to grow also depends on our ability to successfully hire, train and retain our employees, manage our relationships with our customers, subcontractors and other suppliers.

In circumstances where we expand into a new market or location, we may have limited knowledge of the local property management service market, which could be substantially different from those in our established market in Henan Province. In addition, we may not have established relationships or connections with local subcontractors and other suppliers as we do in our established market in Henan Province. We may also be unable to leverage our brand equity in a new market and may face intense competition from the local property management companies.

RISK FACTORS

We cannot assure you that we can procure new property management agreements

We believe that our ability to expand our portfolio of property management agreements is key to sustaining growth of our business. During the Track Record Period, we procured new property management agreements primarily through tender process. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, the success rate of our tender bids for property management agreements in respect of properties developed by third-party property developers was nil, approximately 8.3%, 14.3% and 9.1%, respectively. In addition, the success rate of our tender bids for properties developed by Zensun Group was 100% during the Track Record Period. The selection of a property management company depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management company. We cannot assure you that we will be able to procure new property management agreements through tender process in acceptable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. The requirements of our customers become higher with main considerations of quality and cost. We cannot assure you that we will always be able to balance such parameters diligently. So, there is no guarantee that we would be able to fulfill the requirements of our customers and enter into property management agreements in acceptable terms, or at all. In such cases, our business and results of operations could be materially and adversely affected.

Our future growth will depend on the prospect of Zensun Group, as a significant portion of our revenue is derived from property management services and property engineering services we provide in relation to properties developed by Zensun Group

A significant portion of our property management agreements related to the management of properties and all of our property engineering agreements related to installation of systems for properties were developed by Zensun Group during or before the Track Record Period. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, the revenue from property management services provided to the properties developed by Zensun Group accounted for approximately 94.0%, 88.2%, 88.3% and 87.7%, respectively, of our revenue from property management and value-added services. Since the commencement of the provision of property engineering services, substantially all of the revenue from property engineering services were derived from properties developed by Zensun Group. The prospect of Zensun Group may affect our future growth, and in particular, any adverse development in the operations of Zensun Group or its ability to develop new properties may affect our ability to procure new property management agreements or property engineering agreements. If we are not able to supplement any shortfall in business from properties developed by Zensun Group with business from properties developed by independent property developers, our growth prospects may be materially and adversely affected.

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

Our property management services are provided in accordance with preliminary property management agreements we enter into with property developers or property management agreements we enter into with property owners. Revenue from our property management services amounted to approximately RMB45.5 million, RMB72.0 million, RMB102.9 million and RMB105.4 million for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively, approximately 97.6%, 93.1%, 92.2% and 93.1% of which were generated from the property management services provided under the preliminary property management agreements with or without fixed terms. According to the Regulations on Property Management (《物業管理條例》), the

RISK FACTORS

agreements generally run until their expirations or until the relevant property owners' association for the property is established where a new property management agreement is entered into by a property management company and the relevant property owners' association. Under the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)), a general meeting of property owners may be convened to consider whether to continue to engage the same property management company or change to another one, and can authorise the property owners' association to enter into a property management agreement that is legally binding on all property owners in replacing the preliminary property management agreements. Nevertheless, there is no assurance that the relevant general meeting of property owners, once convened by the property owners, will decide to enter into property management agreements with us instead of another property management company. Once the property owners' associations enter into property management agreements with another company instead of our Group, our preliminary property management agreements automatically terminate. As a result, there may be a material adverse effect on our business, financial position and results of operations.

We may experience fluctuations in our labour and subcontracting costs

The property management industry and property engineering industry are labour intensive industries and the supply of experienced personnel in these industries is limited. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our staff costs accounted for approximately 22.3%, 28.5%, 19.4% and 15.9%, respectively, of our total cost of sales. We also delegate certain property management services such as security, cleaning, greening and gardening and repair and maintenance services and property engineering services to third-party subcontractors. During the same periods, the fees paid to third-party subcontractors represented approximately 58.9%, 58.3%, 46.8% and 55.9%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to control our labour costs as well as other operating costs including subcontracting costs. We face pressure from rising labour and subcontracting costs due to various contributing factors, including but not limited to:

- *Increases in minimum wages.* Minimum wages in the PRC have increased substantially in recent years, directly impacting our direct labour costs as well as the fees we pay to our third-party subcontractors.
- *Increases in headcount.* As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which will further increase our total headcount. This increase in headcount will also increase other associated costs such as those related to training, social insurance and housing provident fund contributions and quality control measures. Moreover, as we continue to expand our business scale, we will need a growing number of subcontractors.
- *Delay in implementing operation standardisation and automation.* There is a lapse in time between our commencement of property management services for a particular property and any implementation of our procedure standardisation and automation measures to that property to reduce labour costs. Before we successfully implement such measures, our ability to mitigate the impact of labour cost increase is limited.

We cannot assure you that we will be able to control our costs or improve our efficiency or successfully pass the cost impact to the property management fees and property engineering service fees charged by us to maintain our profitability. If we cannot achieve this goal, our business, financial position and results of operations may be materially and adversely affected.

RISK FACTORS

We may be subject to losses if we fail to raise our property management fees or control our costs in performing our property management services

We primarily generated revenue from our property management services, which accounted for approximately 96.3%, 94.7%, 78.5% and 82.8%, respectively, of our total revenue for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019. All of our properties under management were charged on a lump-sum basis during the Track Record Period, representing the fees for the property management services provided. These property management fees do not change with the actual amount of property management costs we incur. We recognise as revenue the full amount of property management fees we charge the property owners or property developers, and recognise as our cost of sales the actual costs we incur in connection with rendering our services.

In the event that the amount of property management fees that we charge is insufficient to cover all the costs incurred for the property management service, we are not entitled to collect the shortfall from the relevant property owners or property developers, resulting in a loss-making project. According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) the property management company shall consult with the property owners' association and obtain the consent from the general meeting of property owners if any adjustment to property management fees is necessary; if no general meeting of property owners is convened, the approval of the property owners who exclusively own more than half of the total construction area of the building and more than half of the total number of property owners shall be obtained. The failure in obtaining approval of the required number of property owners on adjustment of fees could have a negative impact on our earnings.

If we are unable to raise property management fee rates, we would seek to control costs with a view to reducing the shortfall. However, our ability to mitigate against such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may have material and adverse impact on our service quality, reputations and results of operation.

We may not be able to maintain the relatively high gross profit margin in the future as achieved during the Track Record Period

We recorded gross profit margins of approximately 47.2%, 50.2%, 47.5% and 46.0%, for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. The relatively high gross profit margins were primarily contributed by the high gross profit margins of the property management and value-added services segment, which were approximately 47.2%, 50.2%, 53.6% and 49.2% for the same periods, respectively.

Although we endeavour to maintain the relatively high gross profit margin by reducing our operation costs through enhancing our information technology and monitoring system and by exploring new property management projects with high property management fees, we cannot assure you that the gross profit margin recorded during the Track Record Period can be achieved in the future due to the combined effect of (i) the warranty periods for some of our building facilities are about to expire, resulting in additional maintenance costs in the future; (ii) the continuous increase in labour and subcontracting costs in the PRC; (iii) the continuous investment in equipment and technology system for our properties under management; and (iv) change in the make-up of the portfolio of properties under management which may lower our gross profit margin. Therefore, if we fail to procure new property management projects with ideal property management fees or that the cost saving methods are less effective than expected, our gross profit margins will be negatively affected.

RISK FACTORS

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

We delegate certain property management services, such as security, cleaning, greening and gardening and repair and maintenance services and property engineering services to third-party subcontractors. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, the fees paid to third-party subcontractors were approximately RMB14.7 million, RMB22.1 million, RMB32.2 million and RMB38.4 million, respectively, accounting for approximately 58.9%, 58.3%, 46.8% and 55.9% of our total cost of sales, respectively. We may not be able to monitor such third-party subcontractors as directly and efficiently as with our own employees. Subcontractors may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfil their obligations. As a result, we may have disputes with our subcontractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. There is no guarantee that we will be able to recover from a third-party subcontractor the amounts we are required to pay to customers due to the third-party subcontractor's failure to fulfil its obligations.

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

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

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

During our business operation, we may face difficulties in collecting property management fees from property developers and property owners. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective at all. Moreover, although most of the property management fees are paid to us through bank transfers and online payments, certain property owners would pay property management fees to us in cash, which may impose some cash management risk on us.

Our loss allowance for impairment of trade receivables amounted to approximately RMB142,000, RMB98,000, RMB248,000 and RMB250,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. In the event that the actual recoverability is lower than expected, or that our past loss allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional loss allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations. Further, if we fail to collect property management fees from property developers and property owners or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

RISK FACTORS

We may not be able to recover or receive the full amount from customers for the contract assets

Our contract assets represented our right to consideration in exchange for property engineering services which our Group has delivered to a customer, where receipt of the relevant earned consideration is conditional on certain milestone or successful completion of construction.

Our Group recorded contract assets which amounted to nil, nil, approximately RMB8.4 million and RMB9.8 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. Please refer to the section headed “Financial information – Discussion of certain items from consolidated statements of financial position – Contract assets” in this prospectus for further details. There is no assurance that we will be able to recover or receive the full amount or part of the contract assets. In the event that we are unable to do so, our results of operation, liquidity and financial position may be adversely affected.

Our backlog may not be indicative of our future results of our property engineering business operations

Backlog is the amount of work that we are contracted to do in the future. We have provided our contract backlog amounts, which represent the aggregate value of the property engineering contracts we have executed as at a certain date, less revenue recognised in connection with such contracts up to and including the same date. Backlog serves as an estimate of the value of work contracted for and yet to be completed, and thus an estimate of revenue expected to be recognised in the future in connection with the relevant contracts. However, backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog. We determine the amount of our contract backlog based on the assumption that the relevant contracts will be performed in full in accordance with their terms. As this assumption may not be true with respect to each and every relevant contract we have executed or will execute in the future, our backlog amounts may not be indicative of our actual earnings in the future.

We cannot assure you that we will not be subject to any material modification, termination or cancellation of our contracts by our customers in the future, and such material modification, termination or cancellation may have a material adverse effect on our financial conditions, results of operations and prospects. We also cannot assure you that our backlog amount will be recognised timely, or at all, or that our backlog amount once recognised will result in profits. Based on the foregoing, our backlog information may not be presented as an indicator of our future results of operations and earnings.

Our operations are based in Henan Province, and our business could be adversely affected in the event of any adverse development in government policies or business environment in this region

During the Track Record Period and up to the date of this prospectus, almost all of our revenue from property management and value-added services and all of our revenue from property engineering services were derived from Henan Province.

We expect that the Henan Province will continue to account for the majority portion of our operations in the near future. Due to such concentration, any adverse development in government policies or business environment in Henan Province will materially and adversely affect our business, financial position and results of operations.

RISK FACTORS

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

Although we experienced significant revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. In addition, we may continue to devote significant resources to develop our property engineering services and acquire other property management service providers and enhance our value-added services. These initiatives may negatively impact our short-term profitability. If our efforts in the development of property engineering services and acquisition of other property management service providers and the enhancement of our value-added services prove ineffective, and we fail to increase revenue, or if our cost and operating expense grow faster than our revenue, our business, financial position and results of operations may be negatively affected.

Negative publicity or damage to our business reputation, in particular those relating to illegal or improper conducts of our employees, may have a potential adverse impact on our business

We rely on our reputation to maintain and grow our business operations. Any negative publicity associated with us could potentially result in loss of business. In particular, if our Group and employees were alleged to have engaged in any illegal or improper conducts, e.g. bribery or corruption practices. During the course of our business operation, we may not be able to detect and deter the occurrence of bribery or other similar misconducts, which could subject us to litigation and harm our reputation. Although we have in place measures to detect and prevent the misconduct of employees and third parties, it is not always possible to detect or deter such activities.

Any negative news or media coverage on our Group or employees would affect our reputation and we cannot assure you that any misconduct of employees or third parties, if any, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, financial performance and results of operations.

We operate in a highly competitive business with numerous competitors

The property management industry in the PRC is highly competitive and fragmented. For details, please refer to the section headed “Industry overview – Competition – Competitive landscape” of this prospectus. Our major competitors include large national, regional and local property management companies. Competition may intensify as our competitors expand their product or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, primarily including business scale, brand recognition, financial resources, price and service quality.

Our competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale and support of their services. In addition to competition from established companies, new companies may enter our existing or new markets. We cannot assure you that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We plan to refine our service standardisation and automation, to enhance the quality and consistency of our services, improve our service teams’ efficiency and reduce our costs. Our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our property management agreements obtained from the PRC Government without going through the required tender and bidding process may be determined to be invalid by local judicial authority

Under the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) which became effective from 1 January 2018, a property developer shall hire qualified property management service providers to provide preliminary property management services by going through a tendering and bidding process. According to the Interim Measures for Tender and Bidding Management of Preliminary Property Management of Henan Province (《河南省前期物業管理招標投標管理暫行辦法》), which became effective on 27 February 2018, measures may be taken against the property management service providers by the property management administrative department of the People's Government at or above the county level according to the relevant laws and regulations, and may result in a bad record, for providing property management service under the aforementioned preliminary property management agreements which have not gone through the tender and bidding process. A bad record of a property management service provider may reduce its tender success rate for preliminary property management agreements as the property developers or the property owners may take into consideration the bad record when deciding whether to engage a property management service provider.

In addition, a public bidding process is also required for engaging property management service providers for services over a designated amount in relation to non-residential properties owned by the PRC government or agencies, institutions or organisations according to the Government Procurement Law of the PRC (《政府採購法》) and relevant laws and regulations. The designated amount may vary in different areas. According to the Circular of Zhengzhou Finance Department On The Government Centralized Procurement Catalogue and Standards from 2018 to 2019 (Zheng Cai Gou [2018] No. 2) (promulgated on 26 January 2018) (《鄭州市財政局關於印發鄭州市2018-2019年政府集中採購目錄及標準的通知》) (鄭財購[2018]2號), public bidding process shall be adopted for goods or services procured by the municipal government if the budget amount of any single or batch purchase order is RMB2.0 million or more. Therefore, property management agreements in relation to government procurement of property management service providers which fail to go through a tender and bidding process may be determined to be invalid by the local judicial authorities depending on the circumstances of the case. If this occurs, the relevant government entity may need to organise a tender and bidding process to select a property management service provider for the relevant property. In the case that we do not succeed in winning the tender and bidding, we may not be able to continue our property management services for the relevant property and, as a result, our revenue and business may be negatively impacted. During the Track Record Period, one of our agreements in relation to government procurement was renewed without undergoing the tender process. Revenue generated from the agreement amounted to approximately RMB1.3 million for the nine months ended 30 September 2019.

Our business is subject to third-party payment processing related risks

We accept payments using a variety of methods, including payment through third-party online payment platforms such as WeChat Pay and Alipay, and online payments with credit cards and debit cards issued by banks in China.

For certain payment methods, including credit and debit cards, we will pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and payment on delivery options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with.

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If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial position and results of operations could be materially and adversely affected.

In addition, we do not have control over the security measures of our third-party online payment platform service providers. Security breaches of the online payment platforms that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among others, damage our reputation. Any leak of confidential information, breach of network security or other misappropriation or misuse of personal information could cause interruptions in our business operation and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

We may be subject to interruptions and security risks to our IT systems, including security breaches and identity theft

If we are unable to detect any system error, continue to upgrade our IT systems and network infrastructure and take other steps to improve the efficiency of our IT systems, there may be system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays that could make any of our relevant online applications and their services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of our application and even incur losses to our customers who may bring legal proceedings against us.

We are susceptible to damages to the common areas of the properties we manage

The common areas of the properties that we manage may be damaged or affected in a variety of ways that are out of our control, including but not limited to natural disasters, occupiers' or visitors' intended or unintended actions, and epidemics, such as severe acute respiratory syndrome. For example, in the event of natural disasters, such as earthquake, typhoon or flood, the common areas may be materially damaged.

If any person purposely or recklessly sets fire or causes flooding in a unit or common area, the exterior of the building, corridors and stairways may be damaged. If a person commits or is suspected of having committed criminal activities within our properties, we need to allocate additional resources to assist the police and other governmental authorities in their investigations. In the event of any damage that affects the common areas, our current occupiers may be affected and we may have to fix the damage with our own resources and then attempt to recover fees from the person who cause the damage.

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

We have a limited operating history in our property engineering services

We began to provide our customers with property engineering services in October 2017. We have a short operating history in providing property engineering services, and you should consider our prospects in light of the risks, expenses and challenges that we may face as an early-stage company with limited experience operating such businesses in a competitive market. We might encounter risk and difficulties frequently experienced by early-stage businesses, and those risk and difficulties may be heightened in a rapidly evolving market.

RISK FACTORS

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

Accidents may occur during the course of our business. We provide repair and maintenance services to property developers and properties under management through our own employees and third-party subcontractors. Repair and maintenance services such as elevator maintenance involve the operation of heavy machinery and, are subject to risks of work injuries or accidents. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work injury incident or accident in the course of our operations resulting in a material and adverse effect on our business, financial position and results of operations. In addition, we are exposed to claims that may arise due to employees' or third-party subcontractors' negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, subcontractors, occupiers, visitors or others. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

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

We are required to obtain and maintain certain licences, permits, certificates and approvals for our business operations such as Installation, Alteration, Repair & Maintenance Licence of Special Equipment (中華人民共和國特種設備安裝改造維修許可證) and Engineering Enterprise Qualification Certificate (建築業企業資質證書). We must meet various specific conditions in order for the government authorities to issue or renew any such certificate or permit. We cannot guarantee that we will be able to adapt to new rules or regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans, and our business, financial condition and results of operations may be adversely affected. During the Track Record Period, we were engaged in the business of pre-packaged food sales services without the Food Operation Licence. Please refer to the section headed "Business – Legal proceedings and compliance" of this prospectus for further details. During the Track Record Period, we were also engaged in intermediary leasing services without complying with the filing requirements or executing the brokerage agreement properly. According to the relevant PRC laws and regulations, the relevant authorities may impose a fine of RMB10,000 on real estate agents, and a fine of not less than RMB10,000 but not more than RMB30,000 on real estate brokerage institutions, and the information may be put into the credibility records. The relevant PRC government authorities may decide to impose penalties on us in relation to our historical non-compliance incidents in the future. In such case, our business, financial condition and results of operations may be affected.

RISK FACTORS

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

We have in place some risk management and internal control systems for our business operation procedures. These systems are designed to help us manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. Like any other systems, our risk management and internal control systems are not perfect, as we are not able to assure that all of our employees will adhere to our policies and procedures, and the implementation of such policies and procedures may involve human error. We are not able to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. While we seek to continue to enhance our risk management and internal control systems from time to time, we cannot assure that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

In addition, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to adopt, implement and modify our risk management and internal control policies and procedures in a timely manner, our business, results of operation and financial condition may be materially and adversely affected.

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

Our continued success is highly dependent upon the efforts of our senior management and other key employees, who have extensive experience in both the property development and property management industries. If any of our senior management or key employees leaves and we are unable to promptly hire and integrate a qualified replacement in a timely manner, our business, financial position and results of operations may be materially and adversely affected. For further information on our senior management, please see the section headed “Directors and senior management” of this prospectus.

Additionally, the future growth of our business will partially depend on our ability to attract and retain our qualified and experienced employees to operate our business. We may need to compete with the other property management service providers in the industry or even property developers for qualified and experienced employees in the PRC. If we are unable to attract and retain such qualified and experienced employees, our growth may be limited and our business and operations may be materially and adversely affected.

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

We have registered or are in the process of registering or have been granted a licence for the use of several intellectual property rights in the PRC. We consider these intellectual properties are our crucial business assets, key to our customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brands, trade names and trademarks to increase brand recognition and to develop our brands. The unauthorised reproduction of our trade names or trademarks could diminish the value of our brands as well as our market reputation and competitive advantages. For information about the intellectual properties owned by our Group, please refer to the section headed “Statutory and general information – Further information about our business – 2. Our intellectual property rights” in Appendix V to this prospectus.

RISK FACTORS

Our measures to protect our intellectual property rights may afford limited protection and policing unauthorised use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, financial position and results of operations. We are also exposed to the risk that a third party successfully challenges the licensor's ownership of, or our right to use, the relevant trademarks or if a third party uses such trademarks without authorisation.

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

During the Track Record Period, our Company and some of our PRC subsidiaries did not register for within the prescribed period and/or fully contribute to certain social insurance and housing provident funds for our employees. As at 30 September 2019, the aggregate outstanding amount of such contributions for the Track Record Period was approximately RMB850,000, and we made provisions in the amounts of approximately RMB361,000, RMB167,000, RMB99,000 and RMB223,000, for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

Although we have obtained written confirmations from the relevant government authorities in relation to the social insurance and housing provident funds non-compliances, the relevant government authorities may still demand us to pay the outstanding amounts or impose administrative penalties on us. In such case, our business, financial condition and results of operation may be adversely affected. For details, please refer to the section headed "Business – Legal proceedings and compliance" of this prospectus.

Our insurance may not fully cover all the potential losses arising from our operations

Our existing insurance plans may not fully cover all the potential losses incurred from damages or liabilities in relation to our services provided. There are certain exposures which are generally excluded from the insurance policies that we have procured. Such exposures may include potential losses due to war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. For more details of our insurance, please refer to the section headed "Business – Insurance" of this prospectus.

In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover or which we have no insurance to cover, we may not have sufficient funds to cover such losses, damages or liabilities. Any resulting payment from our own source to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

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

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory enterprise income tax rate in the PRC is 25%. Our subsidiary, Xingye Consulting in the PRC meets the requisite conditions of SMEs and is entitled to enjoy a preferential income tax rate. For the year ended 31 December 2018, Xingye Consulting enjoyed a preferential income tax rate of 20% on its taxable profit and the taxable profit was 50% of its assessable profit. For the nine months ended 30 September 2019, Xingye Consulting may enjoy a preferential income tax rate of 20% on its taxable profit and the taxable profit is 25% or 50% of its assessable profit, depending on the amount of its taxable profit. We cannot assure you that we will continue to enjoy the aforementioned preferential income tax treatment. If the applicable PRC tax

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regulations change, or if we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax or any other related liabilities could materially and adversely affect our results of operations and financial condition.

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

We may, from time to time, be involved in disputes with and subject to claims by property developers, property owners and occupiers, to whom we provide property management services. Disputes may also arise if they are dissatisfied with our services. In addition, property developers or property owners may take legal action against us if they perceive that our services are inconsistent with our service standards we agreed to. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our third-party subcontractors, suppliers and employees, or other third parties who suffer injuries or damages while visiting our properties under management.

All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

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

We generated most of our revenue from our property management and value-added services during the Track Record Period. The performance of our property management services business primarily depends on the GFA for properties under management and number of projects we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. For further information on laws and regulations applicable to our business, please refer to the section headed "Regulations" of this prospectus.

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

In particular, the fees that property management companies may charge in connection with property management services are regulated and supervised by relevant PRC authorities. Please refer to the section headed "Regulations – Legal supervision over property management services – Charging of property management enterprises" of this prospectus. In the event that the PRC government imposes limits on property management fees, we may see diminished profit margins as our labour, subcontracting and other costs may increase. We cannot assure you that we would be able to respond to such changes timely and effectively by implementing cost-saving measures. The PRC government may

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also unexpectedly promulgate new laws and regulations related to other aspects of our industry. This could increase our compliance and operational costs, thereby materially and adversely affecting our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions as well as government policies could affect our business

The economy of the PRC differs from the economies of most developed countries in many respects, including, structure, degree of government involvement, level of development, growth rate, control of foreign exchange; and allocation of resources. In the past, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment, price controls or any changes in tax regulations or foreign exchange controls that are applicable to us.

In the past, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. However, the PRC government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws, regulations or policies or the interpretation of laws, regulations or policies;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

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

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of PRC. Please refer to the section headed "Regulations – Chinese tax laws and regulations – Foreign exchange regulations of the PRC" of this prospectus. We receive all of our revenue in RMB. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our subsidiaries have to convert their RMB earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. The foreign exchange control system may prevent us from obtaining sufficient foreign

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currency to satisfy our currency demands. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to our Shareholders, or otherwise satisfy our foreign currency denominated obligations, if any.

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

Fluctuations in exchange rates could have an adverse effect upon our business

The value of RMB against US dollars, HK dollars and other currencies may fluctuate and is affected by, among other things, the political situation as well as economic policies and conditions. Although RMB is no longer pegged to the US dollars, its value in international markets is determined by reference to a basket of currencies as part of a floating exchange rate policy. We cannot predict the future fluctuations of the RMB. The Chinese government may adopt a more flexible currency policy, which could lead to the RMB experiencing more substantial revaluation against foreign currencies.

All of our revenue and operating expenses are denominated in RMB. In addition, the proceeds from the Global Offering will be received in HK dollars. As a result, any appreciation of the RMB against the US dollars, the HK dollars or any other foreign currencies may result in the decrease in the value of our foreign currency denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. We cannot assure you that we will be able to reduce our foreign currency risk exposure in relation to our foreign currency-denominated assets. Furthermore, we are also required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition and results of operations, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Our business may be affected by adverse changes in the international trade environment

International trade disputes or the advent of protectionist trade policies among the PRC and its trading partners may adversely affect the PRC economy. As a result, the real estate market and the economy in the PRC and their property developers' appetite to build or commence on any construction projects would be adversely affected, which would in turn affect our business and results of operation.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to our investors and Shareholders

The PRC laws and regulations govern our businesses and operations in the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, the PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has promulgated laws and regulations in relation to

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economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

The interpretation of the PRC laws and regulations involves a degree of uncertainty. All of the abovementioned uncertainties may limit the legal protections available to our investors and Shareholders.

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

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate. Under the Enterprise Income Tax Law and the Regulations on the Implementation of the Enterprise Income Tax Law, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. According to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (issued by the SAT on 21 August 2006 and came into effect on 8 December 2006), 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. However, according to the Public Notice of the SAT on Issues Relating to Beneficial Owner in the Tax Treaty (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) ([2018] Announcement No. 9 of the SAT), (issued on 3 February 2018 and came into effect on 1 April 2018), if the company's activities do not constitute substantive business activities, it will be analysed according to the actual situation of the specific case, which may not be conducive to the determination of its “beneficiary owner” capacity, and thus may not enjoy the concessions under the tax treaty. In that case, our financial condition and results of operations may be adversely affected.

It may be difficult to effect service of process on our Directors or senior management members who reside in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

A majority of our Directors and senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible. On 14 July 2006, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgment in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”). Under this arrangement, in case any

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designated People's Court in China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of China or Hong Kong court for recognition and enforcement of the judgment. This arrangement became effective on 1 August 2008 and the outcome and effectiveness of any action brought under this arrangement remain uncertain.

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

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

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

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Then the outbreak of the COVID-19 in 2019 in Wuhan and other areas of the PRC has resulted in numerous confirmed cases and deaths. Any future outbreak of SARS, COVID-19, avian flu or other similar adverse epidemics may, among others, significantly disrupt our business. An outbreak of infectious disease may cause shortage of labour and raw materials and temporary suspension of our property engineering projects, which would disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the buildings or sites. The outbreak may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on our business, financial position and results of operations.

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

RISKS RELATING TO THE GLOBAL OFFERING

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

The Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets of HK\$0.75 per Share, based on the maximum Offer Price of HK\$2.00 per Offer Share.

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

There has been no prior public market for our Shares

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

Lack of liquidity of our Shares and volatility of the market price may be resulted

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of our Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the Offer Price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

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Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares

Future issues of our Shares by our Company or the disposal of our Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of our Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for a period of up to six months after the Listing Date. Details of such lock-up undertakings are set out in “Underwriting – Underwriting arrangements and expenses” of this prospectus. We cannot assure that any of our Controlling Shareholders will not dispose of any Shares they now own or may own in the future, following the expiration of any relevant lock-up periods.

We may not declare dividends on our Shares in the future

The payment and amount of dividends (if any) will depend upon our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. We cannot guarantee that dividends of any amount will be declared or distributed in any year. For details, please refer to the section headed “Financial information – Dividends” of this prospectus.

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

SAFE promulgated the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Circular 37”) on 4 July 2014. According to Circular 37 and its implementation rules, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the “SPVs”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alteration in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus. In accordance with Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (Circular 13, 國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知 Circular of SAFE), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks.

To the best of our knowledge, as at the Latest Practicable Date, all of our Shareholders that are being subject to SAFE regulations have completed all necessary registrations required by Circular 37. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of Circular 37. As a result, we

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cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set out in Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under PRC foreign exchange administration regulations.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

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

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

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

We cannot guarantee the accuracy of facts and other statistics with respect to our industry and the PRC economy contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to our industry and the PRC economy, from various government publications or various organisations that we believe to be reliable. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any of our or their respective affiliates, directors or advisors and any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. The Sole Sponsor and our Directors have exercised reasonable care in selecting and identifying the named information sources, in compiling, extracting, and reproducing the information, and in ensuring no material omission of the information. The facts and other statistics include the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" of this prospectus. However, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate

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or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus

There may be coverage in the media regarding the Global Offering and our operations. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media that is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

Forward-looking information is subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” of this prospectus. Accordingly, such statements are not a guarantee of future performance and 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.

We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

**WAIVERS FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

**WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION
TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD
SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS)
ORDINANCE**

Applicable legal and listing rules requirements

The Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, all prospectuses to state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in the prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in the prospectus a report by auditors of the listing applicant with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of the listing applicant as at the last date to which the financial statements of the listing applicant were prepared.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as it thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the listing applicant and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the prospectus to be included in the accountants' report to the prospectus or such shorter period as may be acceptable to the Stock Exchange.

WAIVERS FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Requirements under Guidance Letter GL25-11

Based on the guidance set out in Guidance Letter GL25-11 issued by the Stock Exchange in October 2011 (and updated in November 2011, March 2012, June 2013, March 2014, September 2015 and July 2016) (“**GL25-11**”), in view of the shortened deadline for releasing preliminary results announcements and to enable potential investors to have adequate and timely information, where an applicant issues its listing document within two months after the latest year end, the Stock Exchange has provided the conditions for granting waiver from strict compliance with Rules 4.04(1) of the Listing Rules (“**Rule 4.04(1) Waiver**”) as follows:–

- (a) the applicant must list on the Stock Exchange within three months after the latest year end;
- (b) the applicant must obtain a certificate of exemption from the SFC on compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance Requirements;
- (c) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
- (d) there must be a directors’ statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

Grounds for waiver and exemption application

The financial year end of our Company ends on 31 December. This prospectus contains the consolidated results of our Group for the three years ended 31 December 2018 and the nine months ended 30 September 2019, but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of issues of this prospectus, being the full year ended 31 December 2019, as required under Rule 4.04(1) of the Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The waiver and exemption thereof would not prejudice the interest of the investing public and the strict compliance with the requirements thereunder would be unduly burdensome for the following reasons:

- (a) our Directors and the Sole Sponsor confirm that, after performing sufficient due diligence work up to the Latest Practicable Date, there has been no material adverse change in the financial and trading positions or prospect of our Group since 30 September 2019 and up to the date of this prospectus and that there has been no event which would materially affect the information contained in the Accountants’ Report, the unaudited pro forma financial information, the profit estimate for the year ended 31 December 2019 and other parts of this prospectus since 30 September 2019 and up to the date of this prospectus;

**WAIVERS FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (b) there would not be sufficient time for our Company and the Reporting Accountants to finalise the audited financial statements for the year ended 31 December 2019 for inclusion in this prospectus. It would be unduly burdensome to our Company, as our Company and the Reporting Accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time. If the full year results for year ended 31 December 2019 are to be included in this prospectus, there will be a significant delay in the listing timetable;
- (c) our Company is of the view that the Accountants' Report covering the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, together with the profit estimate for the year ended 31 December 2019 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date included in this prospectus, which is expected to be issued on 25 February 2020, have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track period and earnings trend of our Group; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of our Group's business, assets and liabilities, financial position, trading position, management and prospects are included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2019. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and
- (d) our Company will comply with the requirements under Rule 13.46 of the Listing Rules in respect of the publication of the annual report. Our Company currently expects to issue the annual report for the financial year ended 31 December 2019 on or before 30 April 2020. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2019.

The waiver and exemption application

In light of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules for inclusion in the Accountants' Report the consolidated results of our Group in respect of the full financial year ended 31 December 2019.

We have also applied for, and the SFC has granted us, a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; (ii) this prospectus will be issued on or before 29 February 2020; and (iii) our Shares will be listed on the Stock Exchange on or before 31 March 2020 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of this prospectus).

**WAIVERS FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

The principal operation of our Group is outside Hong Kong and is based in Zhengzhou the PRC. Our Board comprises only one executive Director, three non-executive Directors and three independent non-executive Directors. At present, Mr. Zhu Jie is the only executive Director and is not ordinarily resident in Hong Kong. Our Directors consider that it would be practically difficult and commercially not feasible for our Company to appoint two executive Directors who are ordinary residents in Hong Kong and station them in Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules and, in order to maintain effective communication with the Stock Exchange, our Company has put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and our Company:

- (a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Zhu Jie, our executive Director and Ms. Lu Shuang, our company secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives has been authorised by our Board to communicate on behalf of our Company with the Stock Exchange;
- (b) our Company has completed the registration as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Ms. Zhang Huiqi, the authorised representative of our Company registered under the Companies Ordinance, is authorised to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (c) Directors who are not ordinary residents in Hong Kong have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period;
- (d) both the authorised representatives have means to contact all members of our Board (including our independent non-executive Directors) and the senior management team promptly as and when the Stock Exchange wish to contact our Directors on any matter. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, (i) our executive Director, non-executive Directors and independent non-executive Directors have provided his/her mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that our executive Director, non-executive Directors or independent non-executive Directors expect to travel and be out of office, he/she will provide

**WAIVERS FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE REQUIREMENTS UNDER THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange; and

- (e) our Company has appointed Zhongtai International Capital as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will, in addition to the two authorised representatives, act as the additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date; and
- (f) our Company will promptly inform the Stock Exchange if there are any changes to the authorised representatives of our Company.

WAIVER ON CONTINUING CONNECTED TRANSACTION

Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements under the Listing Rules in respect of our continuing connected transaction, particulars of which are set out in the section headed “Connected transactions” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THIS HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. See the section headed "How to apply for Hong Kong Offer Shares" of this prospectus and the Application Forms for further details of the procedures for applying for the Hong Kong Offer Shares.

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

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See the section headed "Structure and conditions of the Global Offering" of this prospectus for further details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and Stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The International Placing Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. Please refer to the section headed "Underwriting" of this prospectus for further details of the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 9 March 2020.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

LANGUAGE

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into HK dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into HK dollars and vice versa, have been made at the rate of RMB1.0 to approximately HK\$1.16, in this prospectus. No representation is made that any amount in RMB or HK dollars can be or could be, or have been, converted at the above rates or any other rates or at all.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Director</i>		
Mr. Zhu Jie (朱杰)	No. 9-2902, Yard 2 Kangqiao Jinyu Shangjun Erqi District Zhengzhou City Henan Province China	Chinese
<i>Non-executive Directors</i>		
Ms. Zhang Huiqi (張惠琪)	House Villa 10 Monterey 23 Tong Chun St Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Wang Jinhu (王金虎)	No. 17-3-3 West, Beiyunhe No. 10 Guangdian Road South Jinshui District Zhengzhou City Henan Province China	Chinese
Mr. Liu Zhenqiang (劉振強)	No. 16, Unit 2, Tower 26 No. 332 Courtyard Gongren Road Zhongyuan District Zhengzhou City Henan Province China	Chinese
<i>Independent non-executive Directors</i>		
Mr. Xu Chun (徐春)	Room D, 20/F, Tower 1 Guocheng Garden No. 1 Baihua Road Futian District Shenzhen City China	Chinese
Mr. Feng Zhidong (馮志東)	Room 1902, Building C1 Jinbi Huafu, Huacheng Avenue Zhujiang New Town Tianhe District Guangzhou City China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Zhou Sheng (周勝)	Room 11A, Unit 3, Block C No. 48 Jia Zhichun Road Zhongguancun Jiedao Haidian District Beijing China	Chinese

For further information, please refer to the section headed “Directors and senior management” of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor **Zhongtai International Capital Limited**
19th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Sole Global Coordinator **Zhongtai International Securities Limited**
19th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Joint Bookrunners **Zhongtai International Securities Limited**
19th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

BOCOM International Securities Limited
9th Floor
Man Yee Building
68 Des Voeux Road Central
Central
Hong Kong

Haitong International Securities Company Limited
22nd Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers	Zhongtai International Securities Limited 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
	BOCOM International Securities Limited 9th Floor Man Yee Building 68 Des Voeux Road Central Central Hong Kong
	Haitong International Securities Company Limited 22nd Floor Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
	CM Securities (Hongkong) Company Limited 24th Floor China Taiping Tower 8 Sunning Road Causeway Bay Hong Kong
	First Shanghai Securities Limited 19th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong
	Lead Securities (HK) Limited Unit A, 23rd Floor The Wellington 198 Wellington Street Sheung Wan Hong Kong
	Sheng Yuan Securities Limited Room 2202 22nd Floor 238 Des Voeux Road Central Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	Victory Securities Company Limited 1101, 11th Floor Yardley Commercial Building 3 Connaught Road West Sheung Wan Hong Kong
Co-Lead Manager	Emperio Securities And Assets Management Limited 20th Floor Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Legal advisors to our Company	<i>As to Hong Kong law:</i> Howse Williams 27/F Alexandra House 18 Chater Road Central Hong Kong <i>As to PRC law:</i> Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Beijing China <i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands <i>As to the trust laws of the BVI:</i> Harney Westwood & Riegels LP Craigmuir Chambers PO Box 71, Road Town Tortola VG1110 BVI

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law:</i> ONC Lawyers 19th Floor Three Exchange Square 8 Connaught Place Central Hong Kong
	<i>As to PRC law:</i> Haiwen & Partners 20/F Fortune Financial Centre 5 Dong San Huan Central Road Chaoyang District Beijing China
Auditors and Reporting Accountants . . .	Ernst & Young Certified Public Accountants 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry consultant	Savills Valuation and Professional Services Limited 1208 Cityplaza One 1111 King's Road Taikoo Shing Hong Kong
Compliance advisor	Zhongtai International Capital Limited 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters and registered office in the PRC	Unit 407, Building B Zensun International Plaza 101 Hanghai East Road Guancheng District, Zhengzhou City Henan Province China
Place of business in Hong Kong	24th Floor Wyndham Place 40-44 Wyndham Street, Central Hong Kong
Company website	www.xingyewulian.com <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Lu Shuang ACA, HKICPA 501, Unit 1, Block 3 New Blue Diamond Zone F Guancheng District Zhengzhou China
Authorised representatives	Mr. Zhu Jie No. 9-2902, Yard 2 Kangqiao Jinyu Shangjun Erqi District Zhengzhou City Henan Province China Ms. Lu Shuang 501, Unit 1, Block 3 New Blue Diamond Zone F Guancheng District Zhengzhou China
Audit Committee	Mr. Feng Zhidong (<i>Chairman</i>) Mr. Zhou Sheng Mr. Xu Chun
Remuneration Committee	Mr. Zhou Sheng (<i>Chairman</i>) Mr. Feng Zhidong Mr. Xu Chun

CORPORATE INFORMATION

Nomination Committee	Mr. Zhu Jie (<i>Chairman</i>) Mr. Zhou Sheng Mr. Xu Chun
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	China Construction Bank (Hanghai Dong Lu branch) No. 63 Hanghai Dong Lu Zhengzhou City Henan Province China

INDUSTRY OVERVIEW

The information presented in this section is derived from the Savills Report, and various official or publicly available publications. The information derived from the Savills Report reflects estimates of the market conditions based on information from various sources. Our Company believes that such sources of the information in this section are appropriate sources as Savills Valuation and Professional Services Limited (“Savills”) is an independent professional research agency and has taken reasonable care in extracting and reproducing such information, and has no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering (other than Savills) has not independently verified, and make no representation as to, the accuracy of the information from official government or other third-party sources. The official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that after making reasonable enquiries, there is no adverse change in the market information since the date of the Savills Report up to the date of this prospectus which may qualify, conflict or have an impact on the information in this section.

SOURCE OF INFORMATION AND RESEARCH METHODOLOGY

Our Company commissioned Savills, an independent industry consultant, to conduct an analysis of the property management industry and property engineering service industry in China, and produce the Savills Report, for which our Company paid a total of RMB350,000. Savills is an international real estate consultancy group which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. Savills has an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, and has a global workforce of approximately 35,000.

The Savills Report was prepared by Savills basing upon data collected from primary sources from site visits, interviews and the proprietary database of Savills, secondary sources from China Property Management Institute (中國物業管理協會) as well as database of China Real Estate Index System (中指數據房地產數據信息系統) (CREIS) which was subscribed by Savills. Savills also gathered data from a multitude of other sources, including data from property management companies (including data from reported statistics which Savills considered reliable, websites and marketing materials), surveys conducted by CIA and data gathered from government authorities. While preparing the industry report and ranking information, Savills had relied on the following assumptions: (i) the economy of China will maintain a sustainable growth during the forecast period; (ii) the social, economic and political environments in relevant markets are expected to remain stable in the forecast period; (iii) key market drivers such as the continued urbanisation, the continued growth of per capita disposable income and development of real estate market are likely to boost the development of relevant markets; and (iv) where subscribed data were obtained from renowned public institutions, Savills had relied upon the apparent integrity and expertise of such institutions.

THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Overview

The history of the PRC property management industry can be traced back to 1981 when the first property management company was formed in Shenzhen. Since then, the PRC property management industry has experienced rapid growth. In June 2003, the Regulations on Property Management (《物業管理條例》) were promulgated, providing a regulatory framework for the property management industry. As more regulations were promulgated, an open and fair market system for the industry was established and stimulated significant growth of the PRC property management industry. The PRC property management industry now services a wide range of properties, including residential communities, office buildings, shopping centres, industrial facilities, schools and hospitals. Furthermore, property management service providers in China now provide a wide spectrum of services throughout different stages of development process. During post-delivery stages, they provide a range of property management services such as security, cleaning, greening and gardening and repair and maintenance services to property

INDUSTRY OVERVIEW

developers, property owners or property owners' associations. They also provide community value-added services to property owners or occupiers of properties under management, such as repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing service, etc.

The lump-sum basis model is the dominant model in the property management industry in China, property management companies will charge a pre-determined and pre-agreed "all-inclusive" property management fee either on a fixed amount or on a per sq.m. basis, and will bear all costs and expenses for the provision of management services. By using this model, property management companies can manage their costs by a series of cost-saving measures, including the standardisation of procedures, automation and smart management to reduce their reliance on manual labourers.

According to the Measures on the Charges of Property Management Enterprise in Zhengzhou(《鄭州市物業服務收費管理辦法》) (Zheng Jia Gong[2014] No.4) (jointly issued by the Zhengzhou Price Bureau and the Zhengzhou Housing Security and Real Estate Administration Bureau on 1 August 2014 and came into effect on 1 September 2014), non-residential property service fees are subject to market regulation. As a result, non-residential property management service fees were allowed to be freely negotiated between the property management companies and the property owners. Since then, property management service fees on non-residential properties were determined by factors including the quality of property projects, service level provided and the affordability level of owners in different regions and cities. Furthermore, according to the Savills Report, the average property management fees of residential and non-residential properties per square metre per month for first-tier, second-tier, third- and fourth-tier cities in the PRC are set out in the following table for the years indicated:

Historical and Forecasted Average Property Management Fee for Non-residential Properties (RMB/sq.m./month)

Tiers	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
1st Tier City	13.65	13.65	13.80	13.96	13.88	13.94	14.00	14.06	14.12	14.17
2nd Tier City	7.07	7.11	7.19	7.33	7.57	7.70	7.83	7.97	8.11	8.25
3rd & 4th Tier City	3.07	3.10	3.11	3.18	3.26	3.31	3.36	3.41	3.47	3.52

Source: NBS, Savills

The historical and forecasted average property management fee of non-residential properties in Zhengzhou, Henan Province and the neighbouring provinces of Henan Province that the Group plans to expand into are set out in the following table:

Historical and Forecasted Average Property Management Fee for Non-residential Properties (RMB/sq.m./month)

City/Province	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Zhengzhou	5.67	5.70	5.77	5.88	6.07	6.18	6.28	6.39	6.50	6.62
Henan Province	4.76	4.80	4.84	4.94	5.09	5.18	5.27	5.36	5.45	5.54
Hubei Province	5.50	5.54	5.59	5.71	5.88	5.98	6.08	6.18	6.28	6.39
Shandong Province	5.15	5.19	5.23	5.35	5.50	5.59	5.68	5.76	5.85	5.94
Hebei Province	3.57	3.59	3.62	3.70	3.81	3.87	3.93	4.00	4.06	4.13
Shanxi Province	3.63	3.66	3.69	3.77	3.87	3.94	4.00	4.07	4.13	4.20
Anhui Province	3.34	3.37	3.39	3.47	3.57	3.63	3.68	3.75	3.81	3.87
Shaanxi Province	5.00	5.04	5.08	5.19	5.35	5.44	5.53	5.62	5.72	5.82

Source: Savills

For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our average property management fees for our properties under management remained relatively stable at approximately RMB6.1 per sq.m./month, RMB6.3 per sq.m./month, RMB6.1 per sq.m./month and RMB6.3 per sq.m./month, respectively.

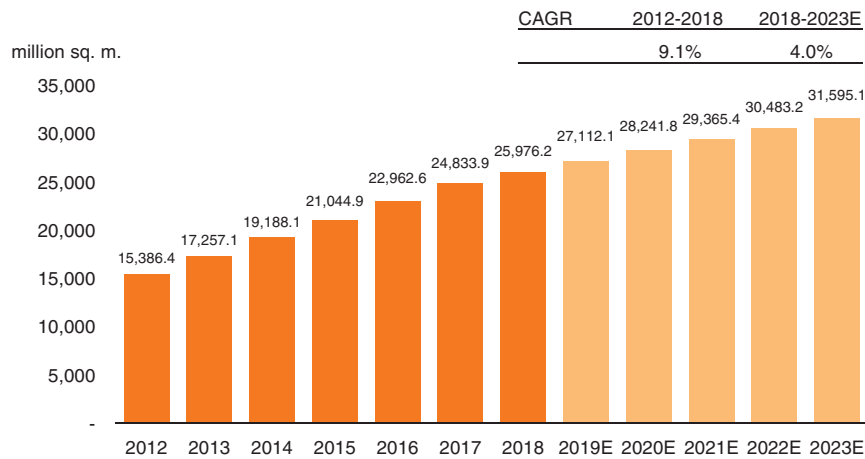
Overall market size

In recent years, following rapid urbanisation, the continuous growth in GDP and per capita disposable income, the total GFA of properties under management in China have increased rapidly. According to the Savills Report, total GFA of properties under management in China increased from approximately 15,386.4 million sq.m. in 2012, and reached approximately 25,976.2 million sq.m. in 2018. The growth in market size however

INDUSTRY OVERVIEW

has witnessed a slowdown in recent years as the total GFA of properties completed each year, which constitutes the single source of new supply to property management industry, recorded a negative growth year-on-year in 2017 and 2018.

Total GFA of Properties under Management, 2012 - 2023E



Source: China Property Management Association, Savills' estimate

Revenue and management fee

According to the Savills Report, total operating income of property management companies in aggregate increased from approximately RMB300 billion in 2012 to approximately RMB690 billion in 2018, representing a CAGR of approximately 14.9%. The growth was mainly attributable to the increase in total GFA of properties under management, and the diversification of services and the increasing use of intelligent community services facilitated by the internet, which helped generate income and reduce operating costs.

Savills estimated that revenue growth for the whole property management industry will continue to increase at an assumed average growth of approximately 11.5% per year from 2019 and reach approximately RMB1,187 billion in 2023, taking into consideration of the growth drivers including the sustainable development of the real estate market, the continued increase in total number of commodity property projects, the increasing market concentration of Top 100 Property Management Companies who have the ability in providing quality services and charging higher property management fees, the continued service diversification and the increasing use of intelligent building automation systems.

OVERVIEW OF THE PROPERTY MANAGEMENT INDUSTRY IN HENAN PROVINCE AND ZHENGZHOU

According to the Savills Report, real estate market of Henan Province is the largest amongst six provinces in the Central China Region¹ in terms of Total GFA of commodity properties completed in 2018. According to the National Bureau of Statistics (中華人民共和國國家統計局) (NBS), over 700 million sq.m. of commodity properties have been completed in Henan Province since 2000, ranked sixth in the PRC as of 2018. Moreover, the non-residential property market of Zhengzhou developed rapidly since the mid-2000s, according to the NBS, office and commercial property market of Zhengzhou was ranked sixth and ninth in the PRC, respectively, in terms of cumulative total GFA completed from 2007 to 2017.

The property management industry in Henan Province benefited from the sustainable growth of the real estate market, as witnessed by the increase and the emergence of a number of prominent property management companies based in the province. In 2018, there were over 8,500 property management companies in Henan Province, with a total GFA under management exceeding 1,500 million sq.m. Total number of property projects under management in 2017 reached 13,115, of which residential and non-residential property projects amounting to 9,031 and 4,084, representing approximately 68.9% and 31.1%, respectively. The majority of the property projects under management by Henan based companies are located within Henan Province, with 826 property projects, representing 6.3% of total property projects under management situated outside Henan Province.

¹ The Central China Region comprises six provinces including Henan, Hubei, Anhui, Jiangxi, Hunan and Shanxi

INDUSTRY OVERVIEW

In Zhengzhou, there were over 1,500 property management companies in 2018, with a total GFA under management exceeding 260 million sq.m., of which residential and non-residential properties amounting to approximately 193 million sq.m. and 67 million sq.m., representing approximately 74.2% and 25.8%, respectively, of the total GFA under management by these companies.

Staff costs constitute the largest cost outlay for property management companies in Henan Province and Zhengzhou. According to the Municipal Bureau of Statistics of Zhengzhou, average annual wage of employed persons in urban areas of Zhengzhou increased from RMB44,622 in 2013 to RMB80,963 in 2018, representing a CAGR of approximately 12.7%. Furthermore, according to the CIA, staff costs constituted approximately 57.8% of total costs of services for Top 100 Property Management Companies in 2018, and increased at a CAGR of 16.9% from 2013 to 2018.

INDUSTRY GROWTH DRIVERS

Growth in urbanisation and per capita disposable income

China's significant growth in urbanisation and per capita disposable income has been the principal driver for the growth of the property management industry. The urbanisation rate in China increased from approximately 53.7% in 2013 to approximately 59.6% in 2018. The PRC property management industry is expected to continue to grow in tandem with rising level of urbanisation of the country. Moreover, China's rapid economic growth has spurred continuous growth in the per capita annual disposable income for urban population which increased to RMB39,251 in 2018, representing a CAGR of 8.2% since 31 December 2013. Chinese consumers increasingly demand better living conditions and high-quality property management services, which is another underlying reason for the growth of the PRC property management industry. The economic growth in the PRC has also led to the emergence of a middle to high-income group, as a result, it is expected that Chinese consumers will become increasingly sophisticated and willing to pay a premium for quality services.

The urbanisation process in Henan Province made a good progress with urbanisation rate increased from approximately 43.8% in 2013 to approximately 51.7% in 2018, whereas in Zhengzhou the urbanisation rate reached approximately 73.4% in 2018, and is catching up with other major cities such as Nanchang and Hefei in the Central China Region. In addition, the per capita annual disposable income for urban population in Henan Province and Zhengzhou has been on the rise with growth in line with the national average. It is expected that this will help boost the development of property management services in the developing cities in the province, with demand for better and higher quality service surging with improving livelihood.

The following table sets out the population, urbanisation rate and per capita annual disposable income in China, Henan Province and Zhengzhou from 2013 to 2018:

	2013	2014	2015	2016	2017	2018	2013-18 CAGR
China							
Total population (million)	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	0.5%
Urban population (million)	731.1	749.2	771.2	793.0	813.5	831.4	2.6%
Urbanisation rate (%)	53.7%	54.8%	56.1%	57.3%	58.5%	59.6%	2.1%
Per capita annual disposable income (RMB)	26,467	28,844	31,195	33,616	36,396	39,251	8.2%
Henan Province							
Total population (million)	94.1	94.4	94.8	95.3	95.6	96.1	0.4%
Urban population (million)	41.2	42.7	44.4	46.2	48.0	49.7	3.8%
Urbanisation rate (%)	43.8%	45.2%	46.8%	48.5%	50.2%	51.7%	3.4%
Per capita annual disposable income (RMB)	22,398	23,672	25,576	27,233	29,558	31,874	7.3%
Zhengzhou							
Total population (million)	9.2	9.4	9.6	9.7	9.9	10.1	1.9%
Urban population (million)	6.2	6.4	6.7	6.9	7.1	7.4	3.6%
Urbanisation rate (%)	67.1%	68.3%	69.7%	71.1%	72.3%	73.4%	1.8%
Per capita annual disposable income (RMB)	26,615	29,095	31,099	33,214	36,050	39,042	8.0%

Source: NBS

INDUSTRY OVERVIEW

The following table sets out the population, urbanisation rate and per capita annual disposable income in the neighbouring provinces of Henan Province from 2013 to 2018:

	2013	2014	2015	2016	2017	2018	2013-18 CAGR
Hubei Province							
Total population (million)	58.0	58.2	58.5	58.9	59.0	59.2	0.4%
Urban population (million)	31.6	32.4	33.3	34.2	35.0	35.7	2.5%
Urbanisation rate (%)	54.5%	55.7%	56.9%	58.1%	59.3%	60.3%	2.0%
Per capita annual disposable income (RMB)	22,668	24,852	27,052	29,386	31,889	34,455	8.7%
Shandong Province							
Total population (million)	97.3	97.9	98.5	99.5	100.1	100.5	0.6%
Urban population (million)	52.3	53.8	56.1	58.7	60.6	61.5	3.3%
Urbanisation rate (%)	53.8%	55.0%	57.0%	59.0%	60.6%	61.2%	2.6%
Per capita annual disposable income (RMB)	26,882	29,222	31,545	34,012	36,789	39,549	8.0%
Hebei Province							
Total population (million)	73.3	73.8	74.3	74.7	75.2	75.6	0.6%
Urban population (million)	35.3	36.4	38.1	39.8	41.4	42.6	3.9%
Urbanisation rate (%)	48.1%	49.3%	51.3%	53.3%	55.0%	56.4%	3.2%
Per capita annual disposable income (RMB)	22,227	24,141	26,152	28,249	30,548	32,997	8.2%
Shanxi Province							
Total population (million)	36.3	36.5	36.6	36.8	37.0	37.2	0.5%
Urban population (million)	19.1	19.6	20.2	20.7	21.2	21.7	2.6%
Urbanisation rate (%)	52.6%	53.8%	55.0%	56.2%	57.3%	58.4%	2.1%
Per capita annual disposable income (RMB)	22,258	24,069	25,828	27,352	29,132	31,035	6.9%
Anhui Province							
Total population (million)	60.3	60.8	61.4	62.0	62.5	63.2	1.0%
Urban population (million)	28.9	29.9	31.0	32.2	33.5	34.6	3.7%
Urbanisation rate (%)	47.9%	49.2%	50.5%	52.0%	53.5%	54.7%	2.7%
Per capita annual disposable income (RMB)	23,114	24,839	26,936	29,156	31,640	34,393	8.3%
Shaanxi Province							
Total population (million)	37.6	37.8	37.9	38.1	38.4	38.6	0.5%
Urban population (million)	19.3	19.8	20.5	21.1	21.8	22.5	3.1%
Urbanisation rate (%)	51.3%	52.6%	53.9%	55.3%	56.8%	58.1%	2.5%
Per capita annual disposable income (RMB)	22,346	24,366	26,420	28,440	30,810	33,319	8.3%

Source: NBS

Growth in supply of commodity properties

Following rapid urbanisation and continuous growth in per capita annual disposable income in China, the supply of commodity properties (being residential properties developed for sale and non-residential properties comprising retail, office and industrial properties either for sale or for lease) also surged. The total GFA of commodity properties sold increased from approximately 1,047.6 million sq.m. in 2010 to approximately 1,716.5 million sq.m. in 2018, representing a CAGR of 6.4%. In addition, according to the Ministry of Natural Resources, the site area for new land supplied for residential property and non-residential property use have recorded a year-on-year increase of approximately 5.1% to approximately 1,152 million sq.m. in 2017. The property management industry in China is backed by such continuous growth in supply and demand for commodity properties, as a result, the industry will continue to thrive and further develop in a sustainable manner.

The Henan Province and Zhengzhou property markets have been developing rapidly since the last decade. According to the Savills Report, total GFA of commodity properties completed in Henan Province and Zhengzhou increased from approximately 59.7 million sq.m. and approximately 11.4 million sq.m. in 2013 to approximately 66.6 million sq.m. and approximately 19.5 million sq.m. in 2018, respectively, representing a CAGR of approximately 2.2% and approximately 11.3%, respectively. In the non-residential property sector comprising office, retail and industrial properties, total completion increased at a CAGR of approximately 8.5% and approximately 9.3%, respectively, during the corresponding period to 15.8 million sq.m. and 5.9 million sq.m. in 2018. It is expected that the development of the property management industry of the non-residential property sector in both Henan Province and Zhengzhou will be boosted by the sustainable development of real estate market, particularly the grade A office property segment in Zhengzhou, with expected new supply to accumulate to 1.3 million sq.m. from 2019 to 2023.

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The following table sets out the GFA of commodity properties completed in China, Henan Province and Zhengzhou from 2013 to 2018:

	2013	2014	2015	2016	2017	2018	2013-18 CAGR
China							
GFA of commodity properties completed (million sq.m.)	1,014.3	1,074.6	1,000.4	1,061.3	1,014.9	935.5	(1.6)%
GFA of residential properties completed (million sq.m.)	787.4	808.7	737.8	771.9	718.2	660.2	(3.5)%
GFA of non-residential properties completed (million sq.m.)	226.9	265.9	262.6	289.4	296.7	275.3	3.9%
Henan Province							
GFA of commodity properties completed (million sq.m.)	59.7	73.2	53.9	63.0	62.0	66.6	2.2%
GFA of residential properties completed (million sq.m.)	49.2	57.7	42.4	50.2	47.0	50.7	0.6%
GFA of non-residential properties completed (million sq.m.)	10.5	15.6	11.5	12.8	15.0	15.8	8.5%
Zhengzhou							
GFA of commodity properties completed (million sq.m.)	11.4	18.9	10.8	14.6	15.4	19.5	11.3%
GFA of residential properties completed (million sq.m.)	7.6	11.2	6.7	10.6	10.3	13.6	12.3%
GFA of non-residential properties completed (million sq.m.)	3.8	7.7	4.1	4.0	5.1	5.9	9.3%

Source: Savills Report

The following table sets out the GFA of commodity properties completed in the neighbouring provinces of Henan Province from 2013 to 2018:

	2013	2014	2015	2016	2017	2018	2013-18 CAGR
Hubei Province							
GFA of commodity properties completed (million sq.m.)	30.4	34.3	27.9	31.3	32.2	27.7	(1.8)%
GFA of residential properties completed (million sq.m.)	25.5	28.1	21.9	23.5	24.3	20.9	(3.9)%
GFA of non-residential properties completed (million sq.m.)	4.9	6.2	5.9	7.8	7.9	6.8	6.7%
Shandong Province							
GFA of commodity properties completed (million sq.m.)	75.1	77.9	82.8	82.5	84.3	105.1	7.0%
GFA of residential properties completed (million sq.m.)	60.6	60.9	61.9	63.6	64.1	80.6	5.9%
GFA of non-residential properties completed (million sq.m.)	14.5	17.0	20.9	19.0	20.2	24.6	11.2%
Hebei Province							
GFA of commodity properties completed (million sq.m.)	44.4	40.4	40.4	42.9	34.2	23.9	(11.6)%
GFA of residential properties completed (million sq.m.)	35.2	32.0	32.3	33.5	27.3	19.2	(11.4)%
GFA of non-residential properties completed (million sq.m.)	9.2	8.4	8.1	9.4	6.9	4.7	(12.4)%
Shanxi Province							
GFA of commodity properties completed (million sq.m.)	22.8	21.8	21.1	26.8	19.7	14.1	(9.2)%
GFA of residential properties completed (million sq.m.)	18.5	17.0	15.7	20.4	14.1	10.9	(9.9)%
GFA of non-residential properties completed (million sq.m.)	4.4	4.8	5.4	6.4	5.6	3.1	(6.4)%
Anhui Province							
GFA of commodity properties completed (million sq.m.)	51.8	52.0	55.4	53.8	47.5	44.9	(2.8)%
GFA of residential properties completed (million sq.m.)	39.2	38.3	41.0	40.5	34.2	31.8	(4.1)%
GFA of non-residential properties completed (million sq.m.)	12.6	13.7	14.4	13.4	13.2	13.0	0.7%
Shaanxi Province							
GFA of commodity properties completed (million sq.m.)	15.1	21.9	16.8	24.3	23.9	15.2	0.2%
GFA of residential properties completed (million sq.m.)	12.7	18.6	13.5	19.2	18.7	10.4	(4.0)%
GFA of non-residential properties completed (million sq.m.)	2.4	3.3	3.3	5.1	5.2	4.9	15.4%

Source: Savills Report

INDUSTRY OVERVIEW

Favourable national policies on the property management industry

In June 2003, the Regulations on Property Management (《物業管理條例》) were promulgated, providing a regulatory framework for the property management industry. Subsequently, a number of laws and rules regulating various aspects of the property management industry have come into effect, and various policies were enacted to promote the development of the property management industry, such as the Circular of the NDRC on the Opinions for Decontrolling the Price of Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》), Decision of the State Council on Cancelling the Third Batch of Administrative Licencing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》(Guo Fa [2017] No. 7)), the Decision of the State Council on Cancelling a Group of Administrative Licencing Items (國務院關於取消一批行政許可事項的決定) (Guo Fa [2017] No. 46) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130). According to the Savills Report, these policies were introduced to provide a market-based structure in service pricing and expansion, and encourage the business expansion of property management companies into less-developed areas, creating a supportive and orderly environment for the development of property management industry and property management companies.

TRENDS IN THE PRC PROPERTY MANAGEMENT INDUSTRY

Increased market concentration

After decades of development of the property management industry, some of the Top 100 Property Management Companies in the PRC have speeded up in the innovation of their services and expansion of their business. In the scattered and competitive property management industry, large-scale property management companies have accelerated their business expansion in order to increase their market share and achieve better results of operations, primarily through organic growth and mergers and acquisitions. Consequently, the market share of the Top 100 Property Management Companies in the PRC in terms of GFA under management has increased from 13.5% in 2012 to 38.9% in 2018.

Increasing mergers and acquisitions activities

Many property management companies use mergers and acquisitions as tools to mitigate risks when expanding into new markets, helping new entrants to access the local market by leveraging the established resources and goodwill of the merged or acquired entity. According to the Savills Report, the trend of the mergers and acquisitions activities of the property management companies will continue and will remain as the dominant method for the expansion of their business. As a result, the PRC property management industry will be increasingly consolidated, with major industry players tapping into new markets and diversifying their business to further strengthen their presence.

Increasing standardisation and adoption of information technology

Most of the Top 100 Property Management Companies in the PRC have set up standardised operating procedures for providing services. When property management companies expand into new markets, standardisation is one of the prerequisites for growing operating scale without sacrificing service quality. The increasing adoption of information technology could enhance service quality while reducing labour costs. For instance, the adoption of centralised information systems enables the headquarters to monitor managed properties across the nation to ensure service quality.

Diversification of service and revenue

Property management companies in the PRC have been seeking to diversify their service offering and revenue streams. Some of them provide consultancy services to real estate developers on project planning and design, site selection, sales and marketing in relation to real estate development projects. Some operate property management ancillary services, such as catering services, repair and maintenance for exclusive use area, renovation waste clearance and intermediary leasing services. Some manage an increasing number of hospitals, schools, governmental buildings and other non-residential properties. Others might utilise their property engineering and property management capabilities to provide consultancy services during different stages of construction projects, and build rapport with third party property developers or property owners with a view to winning the tender for the property management agreements. According to the Savills Report, PRC property management companies will continue to seek new revenue streams and will further expand the scope of their services to meet the demands of consumers.

INDUSTRY OVERVIEW

COMPETITION

Competitive landscape

According to the Savills Report, the property management industry in the PRC is highly fragmented with approximately 120,000 property management service providers in 2018.

The market share of the Top 100 Property Management Companies in the PRC was approximately 38.9% in terms of GFA under management in 2018. According to the CIA, our Group was ranked 67 among the Top 100 Property Management Companies in 2019 in terms of overall strength based on the evaluations of management scale, operational performance, service quality, growth potential and social responsibility of each company. Major property management companies in China experienced steady growth in terms of GFA under management, according to the China Property Management Institute and CIA, the average GFA under management by the Top 100 Property Management Companies in the PRC increased at a CAGR of 16.8% from 2016 to 2018. Moreover, major property management companies in China have experienced steady improvement in profitability due to the increase in the GFA under management and effective cost control measures. Furthermore, according to the China Property Management Institute and CIA, the average net profit of the Top 100 Property Management Companies for 2016, 2017 and 2018 was RMB45.8 million, RMB57.3 million and RMB72.2 million, respectively, whereas our Group's net profit for the same years was RMB11.5 million, RMB19.3 million and RMB34.2 million, representing a year-on-year growth of 67.8% and 77.2% for 2017 and 2018, respectively.

Competitive position of our Group in Henan Province and Zhengzhou

According to the CIA, six companies in Henan Province were included in the 2019 Top 100 Property Management Companies in the PRC, among those, only two property management companies, including our Group, have 100% concentration in the provision of property management services to the non-residential property sector.

Our Group is a property management company with specialisation in the provision of professional property management services to non-residential property sector and with a core focus on mid to high-end office properties and multi-purpose complexes. According to the Savills Report, our Group ranked fourth both in Henan Province and Zhengzhou in terms of total GFA under management for non-residential property for the year ended 31 December 2018.

Ranking Information of Property Management Services Companies in Non-Residential Property Market of Henan Province (in terms of GFA under management), 2018

Ranking	Name of Company	GFA under Management (million sq. m.)
1	Company A	Approximately 3.02
2	Company B	Approximately 2.84
3	Company C	Approximately 1.89
4	Our Group	Approximately 1.61
5	Company D	Approximately 1.53
6	Company E	Approximately 1.42
7	Company F	Approximately 1.26
8	Company G	Approximately 1.21
9	Company H	Approximately 0.55
10	Company I	Approximately 0.54

Ranking Information of Property Management Services Companies in Non-Residential Property Market of Zhengzhou (in terms of GFA under management), 2018

Ranking	Name of Company	GFA under Management (million sq. m.)
1	Company A	Approximately 3.02
2	Company B	Approximately 2.69
3	Company C	Approximately 1.89
4	Our Group	Approximately 1.61
5	Company D	Approximately 1.40
6	Company E	Approximately 1.26
7	Company F	Approximately 1.26
8	Company G	Approximately 1.21
9	Company H	Approximately 0.55
10	Company I	Approximately 0.54

Source: Savills Report

Entry Barriers

Market specialisation

Different types of properties require different services and service quality, and property management companies focusing on a certain type of properties may not be capable to manage other types of properties due to the lack of experience. For non-residential properties such as office and retail complexes, property management services may emphasise on customer relations, service efficiency and therefore require different skill sets which can be found in specialised service providers.

INDUSTRY OVERVIEW

Talent specialisation

As the internet and new technologies emerge, qualified employees in the property management industry are increasingly in demand, and new property management companies face the difficulty in recruiting and retaining highly skilled employees.

Standardisation of operations and management

To better control costs and ensure profitability, property management companies need to standardise and centralise their operations. Large-scale property management companies have more resources to invest in the standardisation and centralisation of their operations than new entrants. A well-established standardisation and centralisation system, in turn, improves property management companies' capacity to manage more properties.

Brand

Top property management companies have built up their brand reputation through years of services and operations. In contrast, new companies, without an established brand, face increasing difficulty in penetrating into the market.

PROPERTY ENGINEERING SERVICE INDUSTRY IN CHINA

Overview

Property engineering services in construction installation sector is the design, installation, use, maintenance and management of building management systems (BMS) or building automation systems (BAS) which encompasses various systems such as fire-fighting and prevention, security, access and safety, energy, lighting, lifts, communications, monitoring and surveillance, and HVAC (heating, ventilation and air-conditioning) in a building. Building automation systems are interlinked and centralised networks of hardware and software which monitor and regulate the environment in industrial, commercial and institutional facilities. The BAS and its facilities are designed with a view to ensure occupants' safety, comfort, and smooth and efficient operational performance of the facilities.

BMS or BAS is traditionally expensive, complex, and requires specialised installation, programming, and maintenance. Because of the high capital costs and complexity, these systems are rarely deployed in small size buildings or in property groups such as warehouses, garages, or to building equipment such as pumps, generators, or parking lot lights on campuses and industrial sites. BMS or BAS is widely adopted in large scale office or retail buildings with huge traffic, and in intelligent or smart buildings², which has been widely accepted as an industry norm in the building industry to steer the goals of flexibility, cost-efficiency, integrated technical performances, green and responsive to the users' actual needs.

With the latest technological advancement in sensor and controls which enables non-invasive, cost-effective and connected IoT products, these products are beginning to be widely used in mainstream applications in both small and large size buildings, and across different types of properties from new constructions to legacy buildings as the data generated by these devices can be gathered into cloud-based management and analytics services via existing networks, and the devices can be easily monitored and controlled by property managers via smartphones and tablets. These IoT based BMS products are gaining popularity in the western countries given their competitive pricing and user-friendly attributes. In China, a number of home-grown companies have also emerged with indigenous products from M2M (machine-to-machine) to IoT based designing for different types of properties.

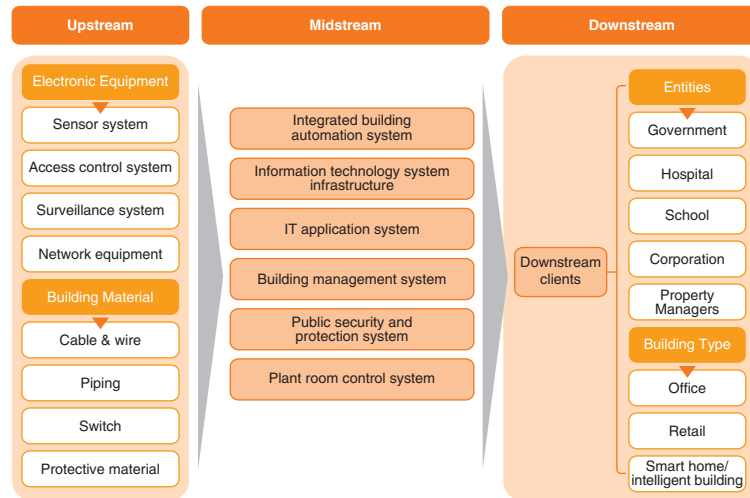
Value Chain of Property Engineering Services Market in China

The value chain of property engineering services comprises upstream electronic equipment and building material suppliers, with mainstream being building automation system development and integration solution providers, which can be subdivided into manufacturers and solution providers in integrated building automation system, information technology system infrastructure, IT application system, building management system, public security and protection system, and plant room control system. These systems are embedded, integrated and interlinked through software and hardware. The BAS and BMS system developers and solutions providers are the midstream players and form the

2 Definition of intelligent building varies through time. In a more common term, an intelligent building uses the latest technology and processes to operate as safely and efficiently as possible. Intelligent buildings are designed to be energy-efficient, environmentally friendly, and provide the optimal environment for their occupants. As a result, these buildings have lower operational costs and offer considerable benefits for owners and occupants.

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backbone of the property engineering services market. The downstream customers include different types of entities including government, hospital, school, corporation, property owners and property management companies, with services mainly delivered to offices, retail complexes, smart homes and intelligent buildings, and literally all legacy buildings by building type.



Source: Savills analysis

Market Size

The property engineering service industry started to emerge in China since the early 1990s, with breakthrough achieved by the setting up of industry standards in 2000 and advancement of technology which enabled its spread to encompass larger geographical coverage and building types. According to the Savills Report, the market size of property engineering services increased from approximately RMB86.1 billion in 2012 to approximately RMB253.0 billion in 2018, representing a CAGR of approximately 19.7%. The property engineering service industry will continue to blossom under key market drivers including the continuous growth of construction industry, the increasing demand for energy saving and green conservation and the positive support and initiatives from the government, and will increase at a CAGR of 13.0% during the forecast period from 2019 to 2023 to reach approximately RMB466.8 billion by 2023.

Key Market Drivers

Continuous Growth of Construction Industry in China

Property engineering service industry is a subsector under the category of construction installation (安装工程)³ of the construction industry in China. The industry is thriving and grown in tandem with the growth of construction industry, and the continued growth of real estate market in China. According to the NBS, the construction market in China has become the largest in the world since 2010. Total output value of construction industry reached RMB23,508.6 billion and accounted for approximately 22.8% of total GDP in 2018. Total GFA of properties under construction in the construction sector increased approximately 6.9% year-on-year to approximately 14.09 billion sq.m. in 2018.

The Increasing Demand for Energy Saving and Efficient Building Operation

The growing concern for energy saving and a smooth and efficient building operation has become a top priority in both the real estate market and property management market of China. Occupants and users of office buildings and mixed use development complexes are particularly aware of and search for both comfort and energy saving systems, which paved way for the widespread use and application of property engineering services for modern green buildings.

3 Construction installation is a sub-category of construction industry in China which comprises (1) electrical installation, (2) equipment and piping installation and (3) other construction installation in a building after completion of all civil works.

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Positive Policy Support from Government

The Chinese government has been taking initiatives towards promoting energy efficiency and sustainability in construction sector and setting up standards particularly for property engineering service industry and other initiatives and policies towards green buildings and smart cities, which help generate tremendous opportunities for the market growth of property engineering services to different property groups and in different cities. The major government policy began in 2012 when the MOF and MOHURD jointly issued the “Implementation Guidance on Accelerating the Development of Green Buildings in China” (《關於加快推動我國綠色建築發展的實施意見》) which specified the government’s subsidy schemes to green buildings. The NDRC and MOHURD jointly issued the “Green Building Action Plan” (《綠色建築行動方案》) in 2013, demanding full implementation of green building standards from 2014 for government-invested buildings, public housing in major cities, airports, railway and bus stations, hotels, shopping malls and office buildings. In 2017, the MOHURD issued the “13th Five Year Plan for Building Energy Efficiency and Green Building Development” (《建築節能與綠色建築發展“十三五”規劃》). The central government has laid down clear objectives for the development of green buildings by 2020, among these objectives, it is targeted that the newly constructed green buildings will reach 2,000 million sq.m., and the share of newly constructed green buildings in urban areas will be increased to 50%.

Increasing Trend of Use of Property Engineering Services in Public Sector Buildings

Technological advancement in BAS and BMS and the lowered capital installation costs together with the enhanced efficiency in operation have made the application of property engineering services a viable option for government at both municipal and provincial level and quasi-government entities to consider in both new construction projects and retrofit projects (legacy buildings). The use of property engineering services and systems has been extensively applied to hospitals, schools and other public buildings and facilities such as libraries, museums and cultural institutes in China.

Cost Structure of Property Engineering Services

Labour cost, raw material cost and consulting service fee are the main cost components for property engineering service providers. Labour cost mainly comprises employee benefit expense, which varies depending on the number of technical staff and work experience. According to the Provincial Statistics Bureau of Henan (河南省統計局), average wage of employed person in information transmission, software and information technology service (信息傳輸、軟件和信息技術服務業) in Zhengzhou reached approximately RMB81,770 in 2017, and was the highest among different sectors.

Raw material cost mainly comprise the costs of electronic equipment and network equipment, and building material such as cables and piping. The raw material cost decreased in the past few years mainly due to the more standardised materials and bulk purchase of hardware equipment. In addition, consulting service fee mainly refers to the costs for design of solution frameworks, system testing and provision of after-sale services. The consulting service fee increased mainly due to the rising wage of employees in the information technology and software sector in China.

COMPETITION

According to Savills’ analysis, the property engineering service industry in China is still in its fast growing stage, mainly comprising total number of midstream developers and solutions providers which was estimated to exceed 3,000. Market concentration of property engineering service is relatively low, with aggregate sales turnover of the top 10 companies making up approximately 15% of total market share. Moreover, the market size of property engineering services increased from approximately RMB86.1 billion in 2012 to approximately RMB253.0 billion in 2018, representing a CAGR of 19.7%. In the next five years, the property engineering service industry will continue to blossom under key market drivers including the continuous growth of construction industry of China.

Entry Barriers

Qualification barrier

Although the MOHURD had lifted qualification criteria for vendors and suppliers in the design and installation of property engineering services in July 2015, downstream customers put significant emphasis on qualifications in selecting property engineering service providers. The government and property developers or property owners will assess on a wide range of factors such as scale of operation, technical level, industry experience and historical track record, which will create entry barrier to small and medium sized service providers and potential entrants with limited project experience.

INDUSTRY OVERVIEW

Talent Barriers

System design, development and integration forms the core work in the property engineering service industry, which requires talents to be highly specialised in order to understand both the building technology and user-friendly operation procedures. In addition, talents with sales experience and client resources are also crucial for industry players to remain competitive and be successful in this industry.

Technology Barrier

The ability to utilise cutting edge building automation technology and system integration is critical to property engineering service providers. It is imperative as well for them to develop new solutions using new platforms utilising IoT and big data, and offer a full range of solutions best-suited to different customers. Downstream customers have an increasing concern over system compatibility especially for retrofit building projects. It will pose technological challenge for new entrants with less experience and know-how to tap into the market.

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LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Foreign Invested Property Management Enterprises

According to Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (Order No. 3 [2016] of the MOFCOM) (promulgated by MOFCOM and became effective on 8 October 2016, amended on 30 July 2017 and on 29 June 2018), foreign-funded enterprises that do not involve special administrative measures for access shall fill out and submit application form for the recordation of its formation as well as its modification of basic information, investors, equity, cooperation interests, etc. The recordation formalities shall be conducted through the integrated management system of MOFCOM. The Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) has been replaced by the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (Order No. 2 [2019] of the MOFCOM and the SAMR) (issued by the MOFCOM and the SAMR on 30 December 2019 and came into effect on 1 January 2020), for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures since 1 January 2020.

According to Interim Provisions on the Domestic Investment of Foreign-funded Enterprises (《關於外商投資企業境內投資的暫行規定》) (Order No. 6 [2000] of the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce) (promulgated on 25 July 2000, came into effect since 1 September 2000 and was amended on 26 May 2006 and 28 October 2015), the domestic investment by a foreign-funded enterprise shall, by analogy, be governed by the Interim Provisions on Guiding Foreign Investment (《指導外商投資方向暫行規定》) (has been annulled by Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) on 1 April 2002) and the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). No foreign-funded enterprise shall invest in fields banned to foreign investment.

According to the Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) (No. 346 Order of the State Council) (issued 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. Foreign investment projects that are not of the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects which are not listed in the Catalogue of Industries for Guiding Foreign Investment.

According to the Catalogue of Industries for Guiding Foreign Investment (Revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) (No. 4 Order of the NDRC and the MOFCOM in 2017) (the “**2017 Foreign Investment Catalogue**”) (Jointly revised by the NDRC and the MOFCOM on 28 June 2017 and came into effect on 28 July 2017), published the list for the establishment of any foreign invested enterprise operating in industries where the PRC government does implement special entry administration measures (the “**2017 Special Measures**”). The 2017 Special Measures has been replaced by the Foreign Investment Access Special Management Measures (Negative List) (2018 version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (Issued by the NDRC and the MOFCOM on 28 June 2018 and came into effect on 28 July 2018) (the “**2018 Negative List**”). In accordance with the 2017 Foreign Investment Catalogue and the 2018 Negative List, the property management industry is an industry that allows foreign investors to make investments. On 30 June 2019, the MOFCOM and the NDRC jointly promulgated the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》(2019年版)) (the “**2019 Catalog**”), which became effective and replaced the previous list of the industries where foreign investment is encouraged under the 2017 Foreign Investment Catalogue on 30 July 2019 and the revised Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**2019 Negative List**”), which became effective and replaced the 2018 Negative List on 30 July 2019.

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On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, "2019 FIL"), which came into effect on 1 January 2020. The 2019 FIL is the fundamental law for foreign investment in PRC, which replaces the Law on Sino-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) and the Law on Wholly Foreign-Capital Enterprises of the PRC (《中華人民共和國外資企業法》) as the general law applicable for the foreign investment within the PRC.

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) (No. 379 Order of the State Council) (issued by the State Council on 8 June 2003, came into effect on 1 September 2003 and revised on 26 August 2007, 6 February 2016 and last amended on 19 March 2018), a qualification system for companies engaging in property management activities has been adopted.

According to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (No. 125 Order of the Ministry of Construction) (issued by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004, revised on 26 November 2007 and was abolished on 8 March 2018), property management enterprises shall be classified into Level One, Level Two and Level Three by qualifications based on relevant specific conditions.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (Guo Fa [2017] No. 7) (issued by the State Council on 12 January 2017 and came into effect on the same day), qualification accreditation for property management enterprises of Level Two and Level Three is canceled. According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) (Guo Fa [2017] No. 46) (issued by the State Council on 22 September 2017 which came into effect on the same day), qualification accreditation for property management enterprises of Level One is canceled.

According to the Notice of the General Office of MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jian Ban Fang [2017] No. 75) (issued by the General Office of MOHURD on 15 December 2017 and came into effect on the same day), application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

The Decision of MOHURD on Abolishing Measures for the Administration on Qualification of Property Management Enterprises (《住房城鄉建設部關於廢止〈物業服務企業資質管理辦法〉的決定》) (Order No. 39 of the MOHURD) which was promulgated and came into effect on 8 March 2018, abolished Measures for the Administration on Qualification of Property Management Enterprises (《物業服務企業資質管理辦法》) and cancelled the accreditation of qualifications of property management enterprises.

The Decision of the State Council on Revising and Repealing Certain Administrative Regulations (2018) (《國務院關於修改和廢止部分行政法規的決定(2018年)》) (Order No. 698 of the State Council) which was promulgated and came into effect on 19 March 2018, deleted the requirements on qualifications of property management enterprises in the Regulations on Property Management (《物業管理條例》).

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Appointment of Property Management Enterprises

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

According to the Regulations on Property Management (《物業管理條例》), a general meeting of the property owners of a community can engage or dismiss the property management enterprise with affirmative votes of property owners whose ownership of exclusive areas constitute more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. Property owners' association, on behalf of the owner's general meeting, can sign property management agreement with property management enterprises engaged at the general meeting. Where a developer recruits and selects any property management enterprise before it is selected by owners and the general meeting, such developer shall conclude a written preliminary property management agreement with the enterprise. The preliminary property management agreement may stipulate the contract duration. If the property management agreement signed by the property owners' association and the property management enterprise comes into force within the term of preliminary property management, the preliminary property management agreement automatically terminates.

According to the Regulations on Property Management (《物業管理條例》) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130) (issued by the Ministry of the Construction on 26 June 2003 and came into effect on 1 September 2003), developer of residential buildings and non-residential buildings located in the same property management area shall engage qualified property management enterprises by tendering and bidding process. In case where there are less than three bidders or for small-scale residential properties, the developer can hire qualified property management enterprises by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located. The state promotes that developers of other properties select and employ property management enterprises with the corresponding qualification by tendering and bidding process.

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

According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) (Announcement No. 79 of the Standing Committee of the Twelfth People's Congress of Henan Province) (issued on 30 September 2017 and came into effect on 1 January 2018), before handling the pre-sale permit for commercial housing or the registration of the sale of existing houses, the developer shall, according to the designated property management area, select and employ property management enterprises by means of bidding, and sign the preliminary property management agreement and provide preliminary property service.

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According to the Interim Measures for Tender and Bidding Management of Preliminary Property Management of Henan Province (《河南省前期物業管理招標投標管理暫行辦法》)(Yu Jian[2018] No.26)(promulgated by Henan Provincial Department of Housing and Urban-Rural Development, and came into effect on 27 February, 2018), the developer of residential and non-residential properties shall, by means of bidding and tendering, select and employ preliminary property management enterprises to implement preliminary property management. Property owners and the owners' general meeting are encouraged to select and employ property management enterprises by means of bidding and tendering to implement property management. Measures may be taken against the property management service providers by the property management administrative department of the People's Government at or above the county level according to the relevant laws and regulations, and may result in a bad record, for providing property management service under the aforementioned preliminary property management agreements which have not gone through the tender and bidding process.

In addition, Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》)(Fa Shi [2009] No. 8) (issued by the Supreme People's Court on 15 May 2009 and came into effect on 1 October 2009) stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, the preliminary property management agreement signed according to the relevant laws and regulations by the developer and the property management enterprise and the property management agreement signed by the property owners' association and property management enterprises hired according to the relevant laws and regulations by the owner's general meeting are legally binding on property owners, the people's court shall not support a claim if property owners plead as property owners are not party to the agreement. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management agreement which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

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

According to the Regulations on Property Management (《物業管理條例》), the property owners within a single property management area shall, under the direction of street office or township people's government or the real estate administration department of the county or district people's government where the relevant real estate is situated, convene a general meeting of property owners and elect a property owners' association. However, where there is only one property owner or where there are relatively few property owners and they are all in agreement, the property owners(s) may choose not to convene a general meeting of property owners, in which case the functions assigned to both a general meeting of property owners and property owners' association shall be performed by the owner(s).

According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)), if one of the following conditions is met, the first general meeting of property owners (首次業主大會) shall be convened, namely, (i) the floor area of the properties that were sold and put into use reaches more than 50%; (ii) more than 30% of the owners have moved in; and (iii) property management company terminates the contract within the contract period or 90 days before the expiration of the preliminary property management agreement. If the conditions for setting up a first general meeting of the property owners are satisfied, either the developer, or 10 or more owners jointly, can apply for the establishment of a preparatory group for the first general meeting of property

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owners (首次業主大會籌備組). The street office or the township people's government shall be responsible for organising the preparatory group for the first general meeting of property owners within 30 days after obtaining the above application, and shall, within 60 days after the establishment of the preparatory group for the first general meeting of property owners, organise and convene the first general meeting of property owners. A property owners' association shall in principle be elected at the first general meeting of property owners in accordance with the law and shall perform the duties empowered by the general meeting of property owners, implement the matters as decided at the general meeting of property owners, and supervised by the property owners. The property owners' association shall, within 30 days as at the date of election, file its establishment with the street office or the township people's government at the locality of the property and copy the filing to the property administration department of the county or district by the aforementioned government department.

Charging of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》), the property owners shall pay property management fee based on the property management agreement. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management fee shall be paid by the developer.

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864) (jointly issued by the NDRC and the Ministry of the Construction on 13 November 2003 and came into effect on 1 January 2004), property management enterprises are allowed to repair, conserve and manage the houses and supporting facilities, equipment and places and maintain the sanitation and order in relevant regions according to related property management agreement, and charge fees from owners. The competent pricing department and construction administrative department of the State Council shall jointly supervise and administer the fee charged by property management in China.

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

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

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

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

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No. 1428) (jointly issued by the NDRC and the Ministry of Construction on 19 July 2004 and came into effect on 1 October 2004), property management enterprises shall clearly mark the price, state service items and standards and relevant information on services (including property management services under the property management agreement and services entrusted by property owners other than those under the agreement) provided to the owners. If the charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. If property management enterprises fail to mark the price according to the relevant laws and regulations or mark false price, they will be ordered to surrender all illegal incomes obtained therefrom, pay the penalty and even terminate the business until irregularities are corrected.

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》) (Fa Gai Jia Ge [2007] No. 2285) (jointly issued by the NDRC and the Ministry of Construction on 10 September 2007 and came into effect on 1 October 2007), competent pricing department of people's government formulates or regulates property management charging standards where the government guidance price shall be implemented and implements pricing cost supervision and examination on relevant property management enterprises. Property management pricing cost is determined according to the social average cost of property management services verified by the competent pricing department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organise the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

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

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According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) (Announcement No. 79 of the Standing Committee of the Twelfth People's Congress of Henan Province) (issued on 30 September 2017 and came into effect on 1 January 2018), property management fees should remain relatively stable. If any adjustment is necessary, the property service enterprise shall consult with the property owners' association and obtain the consent from the general meeting of property owners; if no general meeting of property owners is convened, the approval of the property owners who exclusively own more than half of the total construction area of the building and more than half of the total number of property owners shall be obtained.

According to the Measures on the Charges of Property Management Enterprise in Zhengzhou(《鄭州市物業服務收費管理辦法》) (Zheng Jia Gong[2014] No.4) (jointly issued by the Zhengzhou Price Bureau and the Zhengzhou Housing Security and Real Estate Administration Bureau on 1 August 2014 and came into effect on 1 September 2014), non-residential property service fees are subject to market regulation. The property management fee standard with market adjusted price shall be stipulated by the property management enterprise and owners in the property management agreement.

According to the Notice of Development and Reform Commission of Henan Province on Publishing the Pricing Catalogue of Henan Province (2015) (河南省發展和改革委員會關於印發河南省定價目錄的通知(2015)) (Yu Fa Gai Jia Tiao [2015] No. 835) (issued on 27 July 2015, came into effect on 1 August 2015, and has been replaced already) and the Notice of Development and Reform Commission of Henan Province on Publishing the Pricing Catalogue of Henan Province (2018) (河南省發展和改革委員會關於印發河南省定價目錄的通知(2018)) (Yu Fa Gai Jia Tiao [2018] No. 530) (issued on 3 July 2018, and came into effect on 1 August 2018), other than that the property management fees of government-supported houses to which government guidance prices continue to be applicable, the price control on the property management fees of non-government-supported houses, including non-residential houses, has been cancelled.

The Notice of Henan Province Department of Housing and Urban Rural Construction on Improving work for Prevention and Control of Infection Caused by Novel Coronavirus relating to housing industry in Henan Province (《河南省住房和城鄉建設廳關於做好全省住房領域新型冠狀病毒感染的肺炎疫情防控工作的通知》) issued by the Henan Province Department of Housing and Urban Rural Construction on 4 February 2020 provides that collection and calling of property management fees in person shall be suspended. Notices may be sent to property owners through messages, phone calls or WeChat to remind the property owners to pay the property management fees and other fees. Property owners are encouraged to pay their property management fees through mobile APP, WeChat accounts and other electronic means. Mechanism for subsequent payment of overdue fees may be established. During the period of epidemic prevention and control, no property owners shall be denied from property management services for reasons of defaulting in paying property management fees and car parking fee, nor shall they be forced to pay fees in any disguised form, for supporting normal operation of the community enjoying property management services and life and health of the people.

Prevention and Control of Pneumonia Epidemic relating to Property Management Services Providers

The Notice of Henan Province Department of Housing and Urban Rural Construction on Improving work for Prevention and Control of Infection Caused by Novel Coronavirus in developing housing systems in Urban and Rural Areas (《河南省住房和城鄉建設廳關於做好住房城鄉建設系統新型冠狀病毒感染的肺炎疫情防控工作的通知》) issued by the Henan Province Department of Housing and Urban Rural Construction on 28 January 2020 provides that competent authorities in housing at all levels shall supervise the property management services providers under their supervision for strictly compliance with the

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property management services agreements and performance of social responsibilities, and shall work with governments and authorities at all levels in best endeavors to strengthen the prevention and control of epidemic within the areas where they provide property management services.

The Notice of on Improving work for Prevention and Control of Pneumonia Epidemic within the areas of Providing Property Management Services (《關於做好物業管理區域肺炎疫情防控工作的通知》) issued by the Zhengzhou Municipal Bureau of Housing Security and Real Estate Management on 26 January 2020 provides that all property management services providers shall improve inspection work for prevention and control of epidemic relating to flow of traffic and people in accordance with orders given by sub-district and district office. They shall report any case of epidemic infection found in the daily operation to the sub-district and district offices as well as the disease control departments within the areas.

The Notice on Printing and Issuing the Regulations on Prevention and Control of Pneumonia Epidemic within Zhengzhou Relating to Provision of Property Management Services (ZhengFangWu No.2 [2020]) (《關於印發<鄭州市物業管理區域肺炎疫情防控工作規範>的通知》(鄭房物[2020]2號)) issued by the Zhengzhou Municipal Bureau of Housing Security and Real Estate Management on 31 January 2020 provides that the property management services providers shall strengthen training of employees in expertise and self-protection. The employers shall be kept informed of whereabouts and wellness of employees who are not on duty. The property management service providers shall proactively display explanatory notices and posters relating to prevention and control of epidemic at access, buildings and stairways across the districts in accordance with orders given by competent authorities.

REGULATIONS ON PARKING SERVICE FEES

According to the Measures for the Administration of Parking Lots of Zhengzhou (《鄭州市停車場管理辦法》) (Order No. 97 of Zhengzhou Municipal People's Government) (issued by the Zhengzhou Municipal People's Government on 23 January 2002 and came into effect on 1 March 2002, revised on 31 July 2014), parking lots are divided into public and private parking lots. Public parking lots refer to places that provide paid parking services for social vehicles. The private parking lots refer to the places where vehicles are parked for the unit. The operators of public parking lots shall be filed with the municipal public security and traffic administration organ. Private parking lots that need to be opened to the public and provide paid parking services for vehicles shall go through relevant procedures herein. No charges shall be collected from parked vehicles without going through the relevant procedures. A private parking lot which opens to the public without the consent of the municipal public security and traffic administrative organ for operation shall be imposed a fine of not less than RMB1,000 but not more than RMB3,000.

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

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) (Fa Gai Jia Ge [2015] No. 2975) (jointly promulgated by NDRC, MOHURD and Ministry of Transport on 15 December 2015 and came into effect on the same day), the fee charged in parking

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service shall be determined mainly by the market, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital.

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

According to the Parking Lot Construction Management Regulations of Zhengzhou 《鄭州市停車場建設管理條例》 (Announcement No. 5 of the Standing Committee of the Fifteenth People's Congress of Zhengzhou) (issued on 27 August 2019 and came into effect on 1 October 2019), parking service fees shall be set by the government, guided by the government or adjusted by the market. For the parking service fees adjusted by the market, the parking lot operators shall, in accordance with the pricing laws and regulations, determine the charging standards according to the market conditions and publicise them in an eye-catching position, or the competent administrative department shall order it to make corrections, confiscate the illegal income and impose a fine of not less than RMB1,000 but not more than RMB5,000.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Supervision on Internet Information Services

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

Entities engaged in providing commercial Internet information services shall apply for a licence for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, only a filing is required. Internet information service provider shall provide services within the scope of their licences or filing. Non-commercial Internet information service providers shall not provide services with charge of payment. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval 30 days in advance at the relevant government department.

Where an entity provides commercial Internet information service without a licence or provides service beyond the scope of the licence, provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than three times and less than five times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB20,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial Internet information service without a filing, provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

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Supervision on Mobile Internet Application Information Services

According to the Provisions on Administration of Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (issued by the Cyberspace Administration of China (國家互聯網信息辦公室) on 28 June 2016 and came into effect on 1 August 2016), entities providing information services through mobile Internet applications shall obtain relevant qualifications according to laws and regulations. Mobile Internet application provider shall not use mobile Internet application program to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations.

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

LEGAL SUPERVISION OVER OTHER MAIN BUSINESSES OF THE COMPANY

Supervision over Real Estate Brokerage Business

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (No. 29 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on 5 July 1994, came into effect on 1 January 1995 and revised on 30 August 2007, 27 August 2009, latest revised on 26 August 2019 and came into effect on 1 January 2020), real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (1) have their own name and organisation; (2) have a fixed business site; (3) have the necessary assets and funds; (4) have a sufficient number of professionals; and (5) other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) (No. 8 Order of the MOHURD, NDRC and Ministry of Human Resources and Social Security) (issued by the MOHURD, NDRC and Ministry of Human Resources and Social Security on 20 January 2011, came into effect on 1 April 2011 and revised on 1 March 2016), real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient number of real estate agents shall be equipped to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the competent housing and urban-rural development (real estate) authority for handling the filing formalities within 30 days from the date of receiving business licences.

Supervision over Property Engineering Services

According to the Construction Law of the PRC (《中華人民共和國建築法》) (issued by the Standing Committee of the National People's Congress on 1 November 1997 and came into effect on 1 March 1998, revised on 22 April 2011, and latest revised on 23 April 2019), construction enterprises, surveying units, design units and construction supervision units engaging in construction activities are classified into different qualification levels according to their qualification conditions such as their registered capital, professional technical staff, technical equipment and performance records of their completed construction work, etc. An enterprise engaging in construction, reconnaissance, design and supervision activities for construction work may only contract for the construction work that falls within the permitted scope of its qualification. It is an offence to contract for projects exceeding the limit of an

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enterprise's qualification and the offender may be subject to an order to cease the illegal act, fine, suspension of business for rectification or qualification downgrade; in more serious cases, an offender's qualification may be revoked and the illegal gains may be confiscated. If an enterprise contracts for a project without qualification, the offender may be banned, be subject to a fine and the illegal gains may be confiscated.

According to the Administrative Provisions on the Qualification of Construction Enterprises (《建築業企業資質管理規定》) (No. 48 Order of the Ministry of Construction of the PRC) (issued by Ministry of Construction on 6 October 1995, and came into effect on 15 October 1995, and the latest revised on 22 December 2018), the qualifications of construction enterprises are classified into three sequences, namely, the qualification for general contracting, that for professional contracting and that for construction labour services. The second-grade qualification in the sequence of qualification for professional contracting (excluding the second-grade qualification for professional contracting in respect of railways and civil aviation) of construction enterprises shall be granted by the administrative departments in charge of housing and urban-rural development of the people's governments of provinces, autonomous regions and centrally-administered municipalities where industrial and commercial registration of the enterprises is handled.

Labour and Social Insurance-related Laws and Regulations

According to the Labour Law of the PRC (《中華人民共和國勞動法》) (No. 28 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on 5 July 1994, came into effect on 1 January 1995 and revised 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 labour rights and perform their labour obligations.

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (No. 65 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on 29 June 2007, came into effect on 1 January 2008 and revised on 28 December 2012) and the Regulation on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (No. 535 Order of the State Council) (issued by the State Council on 18 September 2008 and came into effect on the same day), labour contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labour contract, a non-fixed-term labour contract or a labour 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 labour contract and dismiss its employees according to law. Labour contracts concluded before the issuance of Labour Contract Law of the PRC and existing during its effective term shall continue to be acknowledged.

The Notice of the Office of the Ministry of Human Resources and Social Security on Issues of Properly Handling the Employment Relations during the Period of Prevention and Control of Infection Caused by Novel Coronavirus (Ming Dian No. 5 [2020] of the Office of the Ministry of Human Resources and Social Security) (《人力資源社會保障部辦公廳關於妥善處理新型冠狀病毒感染的肺炎疫情期間勞動關係問題的通知》(人社廳明電[2020]5號)) issued by the Ministry of Human Resources and Social Security on 24 January 2020 provides that all patients with Novel Coronavirus, suspected patients and people who have close relationship with them placed in isolation for medical treatments and inspection as well as employees who are not able to provide services due to isolation implemented by the government or other measures in emergencies shall be entitled to compensation from the employers for such periods. The employers shall not terminate the employment contracts with the employees on Article 40 and Article 41 of the Labor Contract Law. During such periods, any employment

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contract that expires shall be extended to the date when the periods of medical treatment or inspection expire, or the period of isolation or the expiry of such periods when measures for emergencies are taken by the government.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (No. 259 Order of the State Council) (issued by the State Council on January 22, 1999 and came into effect on the same day, and revised on 24 March 2019), the Regulation on Work Related Injury Insurance (《工傷保險條例》) (No. 375 Order of the State Council) (issued by the State Council on 27 April 2003, came into effect on 1 January 2004 and revised on 20 December 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (No. 258 Order of the State Council) (issued by the State Council on 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》) (Lao Bu Fa [1994] No. 504) (issued by the Ministry of Labour on 14 December 1994 and came into effect on 1 January 1995), Chinese enterprises shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (Order No. 35 of the President of the PRC), (issued by the Standing Committee of the National People's Congress on 28 October 2010 and came into effect on 1 July 2011 and revised 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 pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of five-ten thousandths of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (No. 262 Order of the State Council) (issued by the State Council on 3 April 1999 and came into effect on the same day, and revised on 24 March 2002 and the latest revised on 24 March 2019), 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 companies 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 relevant housing provident fund administrative center shall order the relevant companies 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 a company 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 company to pay the amount within a prescribed time limit; if the company 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.

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INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (No. 11 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on 12 March 1984, came into effect on 1 April 1985, revised on 4 September 1992, 25 August 2000 and 27 December 2008), and the Implementation Regulations of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), (issued on 15 June 2001, came into effect on 1 July 2001, and revised on 28 December 2002 and 9 January 2010) the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. Chinese patent system adopts the principle of "prior application", i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may use the patent after obtaining the permit or proper authorisation of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (No. 10 Order of the Standing Committee of the National People's Congress) (issued by the Standing Committee on 23 August 1982, came into effect on 1 March 1983 and revised on 22 February 1993, 27 October 2001 and 30 August 2013 and 23 April 2019, came 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》) (No. 358 Order of the State Council) (issued by the State Council on 3 August 2002 and revised on 29 April 2014 and came into effect on 1 May 2014). The trademark bureaus under the General Administration for Industry and Commerce are responsible for trademark registration and authorising registered trademarks for a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following 10 years. Trademark registrants may, by signing a trademark licence contract, authorise others to use their registered trademark. The trademark licence contract shall be submitted to the trademark office for filing. For trademarks, the Trademark Law of the PRC adopts the principle of "prior application" while handling trademark registration. Where a trademark under 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 which others have already begun to use and which has "some influence".

Copyright law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (No. 31 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on 7 September 1990, came into effect on 1 June 1991 and revised on 27 October 2001 and 26 February 2010) and the Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》) (No. 359 Order of the State Council) (issued by the State Council on 2 August 2002, came into effect on 15 September 2002, and revised on 8 January 2011 and 30 January 2013) specifies that works of Chinese citizens, legal

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

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (No. 1 Order of the National Copyright Administration) (issued by the National Copyright Administration on 20 February 2002, and came into effect on the same day) regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognises the China Copyright Protection Center as the software registration organisation. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No. 339 Order of the State Council) (issued by the State Council on 20 December 2001, came into effect on 1 January 2002 and revised on 8 January 2011 and 30 January 2013).

According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in Hearing Cases of Civil Disputes of Information Network Transmission Right (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) (No. 20 Fa Shi [2012]) (issued by the Supreme People's Court on 17 December 2012 and came into effect on 1 January 2013), where network users or network service providers provide, through information networks, any work, performance, or audio or video recording in which the right holders enjoy the transmission right of information network without due permission, they shall be regarded as infringing upon the transmission right of information network by the people's court.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (No. 43 Order of the Ministry of Industry and Information Technology) (issued on 24 August 2017 and came into effect on 1 November 2017), the Ministry of Industry and Information Technology is responsible for managing Internet network domain names of China. The 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. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

CHINESE TAX LAWS AND REGULATIONS

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (No. 63 Order of the President of the PRC, hereinafter referred to as the Enterprise Income Tax Law) (issued by the National People's Congress on 16 March 2007, came into effect on 1 January 2008 and revised on 24 February 2017 and 29 December 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》) (No. 512 Order of the State Council, hereinafter referred to as Regulations on the Implementation of the Enterprise Income Tax Law) (issued by the State Council on 6 December 2007 and came into effect on 1 January 2008, revised on 23

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April 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, for dividends distributed to non-resident enterprise (enterprises have no organisations or business sites in China, or those have organisations and business sites in China but to whom the income of the enterprises is not substantially connected) investors, 10% of the PRC withholding tax shall be paid, 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 from 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 Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (issued by the SAT on 21 August 2006 and came into effect on 8 December 2006), 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 Public Notice of the SAT on Issues Relating to Beneficial Owner in the Tax Treaty (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) ([2018] Announcement No. 9 of the SAT), (issued on 3 February 2018 and came into effect on 1 April 2018), if the company's activities do not constitute substantive business activities, it will be analysed according to the actual situation of the specific case, which may not be conducive to the determination of its “beneficiary owner” capacity, and thus may not enjoy the concessions under the tax treaty.

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》) (SAT Public Notice [2015] No. 7) (issued by the SAT on 3 February 2015 and came into effect on the same day and revised on 29 December 2017), 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 recognised 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 should be charged with interest on a daily basis according to the provisions of the Regulations on the Implementation of the Enterprise Income Tax Law.

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Value-added Tax

According to the Temporary Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (No. 134 Order of the State Council) (issued on 13 December 1993 by the State Council, came into effect on 1 January 1994 and revised on 10 November 2008 and 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》) (Cai Fa Zi [1993] No. 38) (issued on 25 December 1993 by the MOF, came into effect on the same day and revised on 15 December 2008 and 28 October 2011), taxpayers who sell goods, provide processing, repairing and replacement services or import goods within the territory of the PRC shall all pay value-added tax. Unless otherwise specified, tax rate for general taxpayers who sell or import goods of all kinds is 17%; tax rate for taxpayers who provide processing, repairing and replacement services is 17%; tax rate applicable for taxpayers who export goods is nil.

In addition, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (issued by the MOF and the SAT on 23 March 2016, came into effect on 1 May 2016 and revised on 11 July 2017 and 20 March 2019), the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

According to the Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (Guo Fa [2010] No. 35) (issued 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》) issued in 1985 and the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued in 1986 and other rules and regulations issued by the State Council and other competent departments in charge of relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) (issued by the State Council on 8 February 1985, retroactive to 1 January 1985 and revised 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, county or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) (Guo Fa [1986] No. 50) (issued by the State Council on 28 April 1986, came into effect on 1 July 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011), the tax rate of education surcharges shall be 3% of the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and paid at the same time along with the above taxes.

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Foreign Exchange Regulations of the PRC

According to Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (No. 193 Order of the State Council) (issued by the State Council on 29 January 1996, came into effect on 1 April 1996 and revised 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 distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. If the above entities or individuals shall be subjected to the approved of or record-filing with the competent department in advance as required by the state, they should submit related documents for inspection, approval and record-filing before foreign exchange 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》) (Yin Fa [1996] No. 210) (issued 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 Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] No. 37) (the “**SAFE Circular No. 37**”), (issued and came into effect on 4 July 2014), domestic residents establishing or taking control of a special purpose company abroad which makes round-trip investments in the PRC are required to effect foreign exchange registration with the local foreign exchange bureau. Foreign-invested enterprises established through round-tripping investments are prohibited from paying profits overseas, making settlement, transferring shares, making capital reduction, recovering in advance investment and the principal and interest of shareholder loans and other funds (including the use of profits paid overseas in domestic reinvestment, capital increase, etc.) if domestic legal or natural person residents fail to make the offshore investment-related foreign exchange registration as required.

According 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》) (Hui Fa [2015] No. 13) (issued on 13 February 2015, came into effect on 1 June 2015 and revised on 30 December 2019), the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

REGULATIONS

According to the Notice of SAFE on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) (issued by the SAFE on 9 June 2016 and came into effect on the same day), the settlement of foreign exchange receipts under the capital account (including 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.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY AND DEVELOPMENT

Overview

The history of our Group traces back to 1999 when Mr. Zhang Jingguo, who is the father of Ms. Zhang, our non-executive Director and one of our Controlling Shareholders, through Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司) which was then owned as to 20% by Mr. Zhang Jingguo, along with Mr. Chen Jiguo, Mr. Ju Tao and Mr. Li Yuyao, each an Independent Third Party, founded Xingye IOT Management in the PRC as a limited liability company with an initial registered capital of RMB1,000,000. In 2013, Zensun Development became the sole shareholder of Xingye IOT Management. Since its incorporation, Xingye IOT Management had several rounds of capital injection, where its registered capital increased from its initial registered capital of RMB1,000,000 to RMB55,000,000 as at the Latest Practicable Date.

Due to the leadership, contribution and dedication of our Group's management over the years, our Group became a reputable property management service provider offering property management and value-added services, which include, amongst others, security, cleaning, greening and gardening and repair and maintenance services, etc. To complement our property management and value-added services, in October 2017, we started to provide our customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to improve our overall management and the services to our customers. Our years of experience in property management provide us with thorough understanding of customer needs and the industry as a whole, which makes up our core competitive advantage in the property management business.

We believe that the Listing would be beneficial to us, as we would be able to use the proceeds of the Global Offering to implement our expansion plan, enhance our property engineering services and our property management services. Please refer to the section headed "Future plans and use of proceeds" of this prospectus for further details.

Our business milestones

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

Year	Event
1999	Xingye IOT Management was established in Zhengzhou, Henan Province, on 20 October 1999
1999	We started to provide property management services to Xingye Beiyunhe Garden (興業北雲鶴花園), which is the first residential property project under our management
2015	We started to shift our focus to non-residential property management service
2015	We started to provide property management services to Jianzheng Dongfang Centre (建正東方中心), which is the first non-residential property project under our management

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2015	We were awarded the Leadership in Energy and Environmental Design certification for one of our non-residential property management projects, namely Project Jianzheng Dongfang Centre (建正東方中心項目)
2016	We were awarded the Certificate of China Property Management Brand Value (中國物業服務品牌價值研究成果鑒定書) by CIA for our service quality in managing non-residential high-end properties
2017	Wuxiang Intelligent was established in Zhengzhou, Henan Province, on 9 August 2017 and started to provide customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems
2017	Xingye IOT Management, which was then known as “Henan Xingye Internet of Things Management Technology Shares Co., Ltd.* (河南興業物聯網管理科技股份有限公司)”, commenced quotation on the NEEQ (stock code: 872196)
2017	We were awarded the Certificate of China Property Management Brand Value (中國物業服務品牌價值研究成果鑒定書) by CIA for our brand recognition in relation to the provision of property management services in Zhengzhou, Henan Province
2018	We were awarded the 2018 New Third Board (NEEQ) Exceptional Real Estate Services Company (2018新三板優秀房地產服務商) by CIA
2018	Xingye Consulting was established in Zhengzhou, Henan Province, on 20 April 2018
2018	We started to launch a mobile phone application – “Ai Ban (愛辦)” which has multiple functions including the payment of property management fees, booking for repair and maintenance services and facilitation of access to building via a QR code etc.
2018	We were awarded the Certificate of China Property Management Brand Value (中國物業服務品牌價值研究成果鑒定書) by CIA for our brand recognition in relation to the provision of property management services in Zhengzhou, Henan Province
2019	Xingye IOT Management, which was then known as “Henan Xingye Internet of Things Management Technology Shares Co., Ltd.* (河南興業物聯網管理科技股份有限公司)”, ceased quotation on the NEEQ
2019	Xingye IOT Management established a branch company, Henan Xingye Internet of Things Management Technology Co., Ltd. Zhengzhou Free Trade Zone Branch Company* (河南興業物聯網管理科技有限公司鄭州自貿區分公司), on 10 May 2019

HISTORY, DEVELOPMENT AND REORGANISATION

OUR OPERATING ENTITIES

As at the Latest Practicable Date, we had three PRC Operating Entities, namely (i) Xingye IOT Management; (ii) Wuxiang Intelligent; and (iii) Xingye Consulting. Set out below is a summary of certain corporate information in respect of the three PRC Operating Entities:

1. Xingye IOT Management

Establishment of Xingye IOT Management in 1999

Xingye IOT Management (formerly known as Henan Xingye Property Management Co., Ltd.* (河南興業物業管理有限公司) and Henan Xingye Internet of Things Management Technology Shares Co., Ltd.* (河南興業物聯網管理科技股份有限公司)) was established as a limited liability company in the PRC on 20 October 1999 with an initial registered capital of RMB1,000,000 which was fully paid up in cash on 12 October 1999. The principal business of Xingye IOT Management is the provision of property management services in the PRC. The structure of the registered capital of Xingye IOT Management upon establishment was as follows:

<u>Shareholders</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司)	700,000	70.00
Mr. Chen Jiguo	100,000	10.00
Mr. Ju Tao	100,000	10.00
Mr. Li Yuyao	100,000	10.00
Total	1,000,000	100.00

Share transfer in 2010

On 3 June 2010, each of Mr. Chen Jiguo, Mr. Ju Tao and Mr. Li Yuyao entered into a share transfer agreement with Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司), pursuant to which Mr. Chen Jiguo, Mr. Ju Tao and Mr. Li Yuyao transferred their respective interest of 10%, 10% and 10% in Xingye IOT Management to Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司), all in form of cash at a total consideration of RMB300,000 which was settled on 3 June 2010. The consideration was determined with reference to the registered capital in Xingye IOT Management at the time of transfer. The structure of the registered capital in Xingye IOT Management after the above share transfer was as follows:

<u>Shareholder</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司)	1,000,000	100.00

HISTORY, DEVELOPMENT AND REORGANISATION

Increase in registered capital in 2011

On 14 July 2011, Xingye IOT Management had its registered capital increased from RMB1,000,000 to RMB3,010,000. The additional capital contributions of RMB2,010,000 made by Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司) was fully paid up in cash on 17 June 2011. The structure of the registered capital of Xingye IOT Management after the increase in registered capital was as follows:

<u>Shareholder</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司)	<u>3,010,000</u>	<u>100.00</u>

Share transfer in 2013

On 29 September 2013, Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司) entered into a share transfer agreement with Zensun Development, pursuant to which Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司) transferred its entire interest in Xingye IOT Management to Zensun Development, all in form of cash at a consideration of RMB3,010,000 which was settled on 6 November 2013. The consideration was determined with reference to the registered capital of Xingye IOT Management at the time of transfer. The structure of the registered capital of Xingye IOT Management after the share transfer was as follows:

<u>Shareholder</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Zensun Development	<u>3,010,000</u>	<u>100.00</u>

Increase in registered capital in 2014

On 27 February 2014, Xingye IOT Management had its registered capital increased from RMB3,010,000 to RMB5,010,000. The additional capital contributions of RMB2,000,000 made by Zensun Development was fully paid up in cash on 24 February 2014. The structure of the registered capital of Xingye IOT Management after the increase in registered capital was as follows:

<u>Shareholder</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Zensun Development	<u>5,010,000</u>	<u>100.00</u>

HISTORY, DEVELOPMENT AND REORGANISATION

Increase in registered capital in 2016

On 13 June 2016, Xingye IOT Management had its registered capital increased from RMB5,010,000 to RMB10,010,000, with additional contributions made by Zensun Development as to RMB5,000,000 which was fully paid up in cash on 30 September 2016. The structure of the registered capital of Xingye IOT Management after the increase in registered capital was as follows:

Shareholder	Registered capital (RMB)	Percentage (%)
Zensun Development	10,010,000	100.00

Increase in registered capital in 2017

On 24 February 2017, Xingye IOT Management had its registered capital increased from RMB10,010,000 to RMB55,000,000, with additional contributions made by Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management as to RMB31,490,000, RMB4,300,000, RMB4,700,000 and RMB4,500,000, respectively, which was fully paid up in cash on 28 February 2017. The structure of the registered capital of Xingye IOT Management after the increase in registered capital was as follows:

Shareholders	Registered capital (RMB)	Percentage (%)
Zensun Development	41,500,000	75.45
Haifeng Management	4,300,000	7.82
Qian Zhiyi Management	4,700,000	8.55
Zhuoneng Management	4,500,000	8.18
Total	55,000,000	100.00

Set out below is a summary of the details of the investments made by Haifeng Management, Qian Zhiyi Management and Zhuoneng Management in Xingye IOT Management:

Name of investors	Haifeng Management	Qian Zhiyi Management	Zhuoneng Management
Date of capital contribution	24 February 2017	24 February 2017	24 February 2017
Total amount of consideration paid	RMB5,590,000	RMB6,110,000	RMB5,850,000
Shareholding in Xingye IOT Management upon the completion of the investments	7.82%	8.55%	8.18%
Basis of determination of consideration	The consideration for each of the capital contributions was determined based on the net asset value of approximately RMB73.6 million as at 28 February 2017.		
Date of which the consideration was fully settled	28 February 2017	28 February 2017	28 February 2017
Strategic benefits	The directors of Xingye IOT Management are of the view that the investments provide additional capital for the future development and growth of Xingye IOT Management.		

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Name of investors	Haifeng Management	Qian Zhiyi Management	Zhuoneng Management
Use of proceeds from the investment	The proceeds raised from the investments had been used for (i) general working capital of Xingye IOT Management; and (ii) the partial payment of the expenses in connection with the preparation of the quotation of Xingye IOT Management on the NEEQ.		
Effective investment cost per Share after completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised)	HK\$0.28 ^(Note) per Share, representing a discount of approximately 84.2% to HK\$1.75 per Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$2.00 per Share.		
Special rights that survive Listing	None		
Lock-up	None		

Note: The calculation is based on the aggregated consideration paid by Haifeng Management, Qian Zhiyi Management and Zhuoneng Management of RMB17,550,000 (equivalent to HK\$20,358,000) divided by 73,650,000 Shares held by Eco-Victory (approximately 18.41% of total number of our Shares (i.e. 400,000,000) in issue after completion of the Reorganisation, the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised).

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the investments made by Haifeng Management, Qian Zhiyi Management and Zhuoneng Management are in compliance with the guidance letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the guidance letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017.

Converted from a limited liability company to a joint stock company in 2017

On 18 April 2017, in preparation of the quotation of Xingye IOT Management on the NEEQ, the then shareholders resolved to convert Xingye IOT Management into a joint stock company from a limited liability company by way of capitalisation issue based on the ratio of registered capital contributed by the then shareholders. Upon completion of the conversion from a limited liability company to a joint stock company, the shareholding of Xingye IOT Management was as follows:

Shareholders	Number of shares	Percentage (%)
Zensun Development	41,500,000	75.45
Haifeng Management	4,300,000	7.82
Qian Zhiyi Management	4,700,000	8.55
Zhuoneng Management	4,500,000	8.18
Total	55,000,000	100.00

The registration of such conversion with the Administration for Industry and Commerce of Zhengzhou Municipality (鄭州市工商行政管理局) was completed on 15 May 2017. On 8 September 2017, all of the then issued shares of Xingye IOT Management commenced quotation on the NEEQ.

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The cessation of quotation on the NEEQ

On 2 January 2019, shareholders of Xingye IOT Management resolved to voluntarily cease its quotation on the NEEQ. The voluntary cessation of its quotation on the NEEQ was completed on 21 January 2019. No privatisation offer was made in connection with the cessation of quotation. The cessation of its quotation on the NEEQ was a commercial and strategic decision made by the directors of Xingye IOT Management, based on the company's business development plan to explore the listing of its shares on other stock exchanges including the Stock Exchange. Our Directors confirm that, to the best of their knowledge and belief, Xingye IOT Management had been in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects, and had not been subject to any disciplinary actions by the relevant authorities, during the period when it was quoted on the NEEQ. The Sole Sponsor concurs with the view of our Directors. Further, as advised by our PRC Legal Advisors, there is no record of Xingye IOT Management having been subject to any investigations, disciplinary actions or administrative penalties by the relevant government and regulatory authorities or its dispatched agencies during the same period, based on the searches conducted on government websites including NEEQ and CSRC.

2. Wuxiang Intelligent

Establishment of Wuxiang Intelligent in 2017

Wuxiang Intelligent (formerly known as Henan Lianxiang Building Intelligent Engineering Co., Ltd.* (河南聯翔建築智能化工程有限公司)) was established as a limited liability company in the PRC on 9 August 2017 with an initial registered capital of RMB20,000,000 which was fully paid up in cash on 17 May 2019. The principal business of Wuxiang Intelligent is the provision of property engineering services. The structure of the registered capital of Wuxiang Intelligent upon establishment was as follows:

<u>Shareholders</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Xingye IOT Management	13,400,000	67.00
Shenzhen Anlian	6,600,000	33.00
Total	20,000,000	100.00

Share transfer in 2017

On 20 November 2017, Shenzhen Anlian entered into a share transfer agreement with Xingye IOT Management, pursuant to which Shenzhen Anlian transferred its 33.00% interest in Wuxiang Intelligent to Xingye IOT Management for nil consideration. The shares were transferred at nil consideration because the registered capital subscribed by both parties on the date of establishment had not been paid up at the time of the transfer. The registered capital was fully paid up in cash on 17 May 2019 by Xingye IOT Management. The structure of the registered capital of Wuxiang Intelligent after the share transfer and as at the Latest Practicable Date was as follows:

<u>Shareholder</u>	<u>Registered capital</u>	<u>Percentage</u>
	<u>(RMB)</u>	<u>(%)</u>
Xingye IOT Management	20,000,000	100.00

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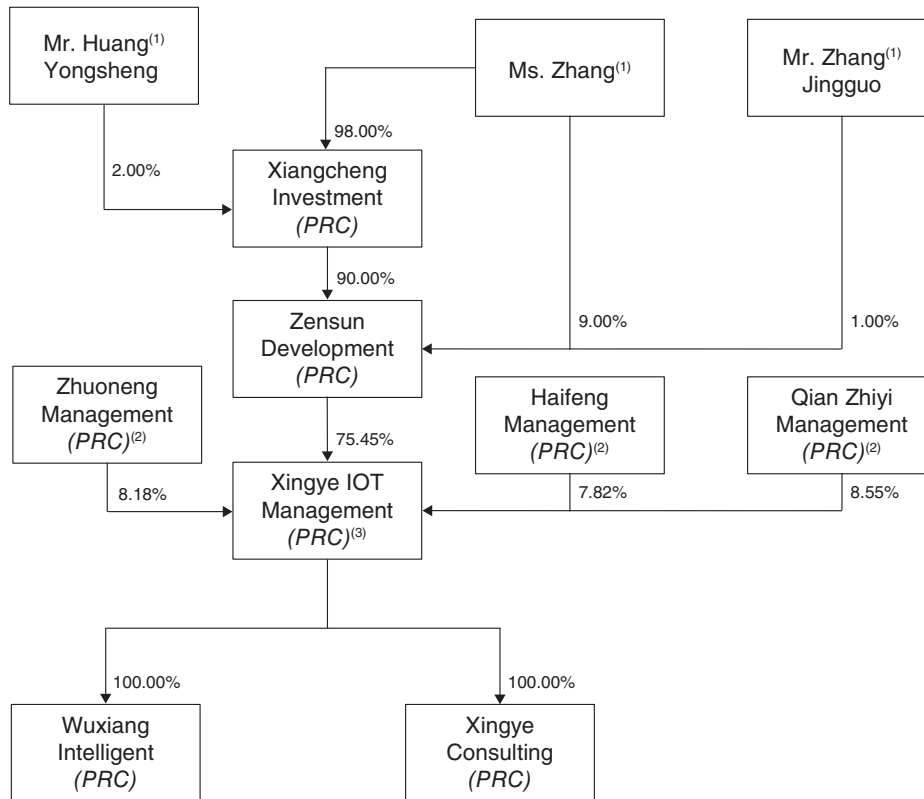
3. Xingye Consulting

Xingye Consulting was established as a limited liability company in the PRC on 20 April 2018 with an initial registered capital of RMB10,000,000 to be fully paid up by 31 December 2030. The principal business of Xingye Consulting is providing corporate management consultation. The structure of the registered capital of Xingye Consulting upon establishment and as at the Latest Practicable Date was as follows:

Shareholder	Registered capital (RMB)	Percentage (%)
Xingye IOT Management	10,000,000	100.00

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart illustrates the shareholding structure of our Group immediately before the Reorganisation:



Notes:

- Mr. Huang Yongsheng is the brother-in-law of Mr. Zhang Jingguo and the uncle of Ms. Zhang.
- Immediately before completion of acquisition (transfer of equity interest) of Xingye IOT Management to Xingye IOT (HK) as stated below, the partners of Zhuoneng Management, Haifeng Management and Qian Zhiyi Management comprise 32, 29 and 35 individuals, among which 4 individuals are partners of more than one of the aforementioned limited partnerships. After deducting the overlapping individuals, among the remaining 91 individuals, three individuals are directors of our Group, two individuals are senior management of our Group, two individuals are staff members of our Group, 11 individuals are former employees of Zensun Group and/or their spouse or son, one individual is an Independent Third Party and the remaining individuals are current employees of Zensun Group.
- Xingye IOT Management established a branch company, Henan Xingye Internet of Things Management Technology Co., Ltd. Zhengzhou Free Trade Zone Branch Company* (河南興業物聯網管理科技有限公司鄭州自貿區分公司) on 10 May 2019.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

Our Group underwent the Reorganisation steps in preparation for the Listing and the major steps of our Reorganisation are summarised as follows:

1. Conversion of Xingye IOT Management from a joint stock company to a limited liability company

Pursuant to article 9 of the company law of the PRC (《中華人民共和國公司法》), a joint stock company is allowed to be converted into a company with limited liability. On 28 March 2019, Xingye IOT Management was converted from a joint stock company to a limited liability company and its name was changed from Henan Xingye Internet of Things Management Technology Shares Co., Ltd.* (河南興業物聯網管理科技股份有限公司) to Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司).

2. Establishment of the Blossom Trust

The Blossom Trust was established as a discretionary trust by Ms. Huang Yanping, who is the spouse of Mr. Zhang Jingguo and mother of Ms. Zhang, as settlor and initial beneficiary on 16 August 2019. The trustee of the Blossom Trust is a professional trustee company, namely Vistra Trust (BVI) Limited. The entire issued share capital of our Company is ultimately held by the trustee via Foison Amber Development, a company limited by shares incorporated under the laws of the BVI on 2 January 2019. On 2 April 2019, Foison Amber Development allotted and issued 50,000 fully paid shares with a par value of US\$1.00 each to Ms Huang Yanping as the initial subscriber, who then transferred her shares in Foison Amber Development to Fast Achieve on 21 August 2019 at nil consideration. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. As advised by Harney Westwood & Riegels LP, our Company's legal advisors as to the trust laws of the BVI, it is the usual practice for a BVI trust to either appoint the trustee, or a company controlled by the trustee, as the sole director for the company directly held under the trust structure. Therefore, the sole director of Glory Reach is Prudence Directors Limited, a business company incorporated in BVI on 15 February 2013 and an Independent Third Party controlled by the trustee, and the director will not be involved in the business operation and management of our Group.

The governing law of the Blossom Trust is the law of the BVI and the provisions of the Blossom Trust are subject to, and enforceable under, the laws of the BVI.

3. Incorporation of our Company and our offshore subsidiaries

(a) *Our Company*

On 12 August 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, one fully paid subscriber Share was allotted and issued to an initial subscriber who is an Independent Third Party, and the said Share was then transferred to Foison Amber Development. Upon completion of the above, our Company was wholly-owned by Foison Amber Development.

On 2 October 2019, our Company capitalised shareholder's loans in the aggregate amount of approximately US\$12.7 million by the allotment and issuance of 9,999 Shares credited as fully paid to Foison Amber Development.

(b) *Siu Wing*

On 7 January 2019, Siu Wing was incorporated in BVI with limited liability and is an investment holding company. Siu Wing is authorised to allot and issue 50,000 shares with a par value of US\$1.00 each. On 2 April 2019, 50,000 fully paid shares with

HISTORY, DEVELOPMENT AND REORGANISATION

a par value of US\$1.00 each were allotted and issued to Ms. Huang Yanping as the initial subscriber, who then transferred her shares in Siu Wing to our Company on 21 August 2019 at a consideration of US\$50,000.

(c) Xingye IOT (HK)

On 11 April 2019, Xingye IOT (HK) was incorporated in Hong Kong with limited liability and is an investment holding company. On the same day, 10,000 fully paid ordinary shares were allotted and issued to Ms. Huang Yanping as the initial subscriber at a consideration of HK\$10,000, who then transferred her shares in Xingye IOT (HK) to Siu Wing on 9 August 2019 at a consideration of HK\$10,000. Since 9 August 2019, Xingye IOT (HK) has become a wholly-owned subsidiary of Siu Wing.

4. Acquisition of Xingye IOT Management by Xingye IOT (HK)

On 5 September 2019, Xingye IOT (HK) acquired the entire equity interest in Xingye IOT Management from Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management at an aggregate cash consideration of approximately RMB89.5 million, which was determined based on the net asset value of Xingye IOT Management as at 31 March 2019. As a result of the acquisition, Xingye IOT Management became a wholly-owned subsidiary of Xingye IOT (HK). Our PRC Legal Advisors confirmed that Xingye IOT Management has obtained the record-filing receipt for the incorporation of foreign-invested enterprises (外商投資企業設立備案回執) for the above acquisition on 5 September 2019.

On 5 September 2019, upon completion of acquisition (transfer of equity interest) of Xingye IOT Management to Xingye IOT (HK), Vistra Trust (BVI) Limited, the trustee of the Blossom Trust, appointed Ms. Zhang as the protector and Ms. Zhang and her descendants as the discretionary beneficiaries. Ms. Huang Yanping also ceased to be the initial beneficiary of the Blossom Trust on the same day. As advised by Harney Westwood & Riegels LP, pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector can block the exercise of certain powers of the trustee, which include: (i) the power to add beneficiaries; (ii) the power to declare that a beneficiary is an excluded person in which case such beneficiary will cease to be a beneficiary under the Blossom Trust; (iii) the power to administer and distribute capital, including assets and income thereof, to the beneficiaries; (iv) the power to shorten the trust period; (v) the extended power of advancement to the whole of the share or interest of the person for whose benefit the advancement is made; (vi) the power to change the proper law and forum for the administration of the Blossom Trust; (vii) power of release; and (viii) the power to make any variation, addition or deletion to the trust instrument governing the Blossom Trust. In addition, the protector has the power: (i) to give investment directions to the trustee; (ii) to remove and appoint trustees; (iii) to appoint additional and successor protectors; and (iv) to extinguish any power vested in the protector or to restrict the future exercise of any such powers.

According to Harney Westwood & Riegels LP, Ms. Zhang as the protector is in actual control of the Blossom Trust and she is the sole director of Foison Amber Development and Fast Achieve, the holding entities of our Company. The articles of associations of Foison Amber Development and Fast Achieve stipulated that the business and affairs of the respective companies must be managed by their director(s).

5. Acquisition of 24.55% of our Shares by Eco-Victory

On 2 January 2019, Eco-Victory was incorporated in BVI with limited liability and is authorised to issue 50,000 shares with a par value of US\$1 each. On 9 May 2019 Eco-Victory increased its authorised share capital to US\$13,500,000. On 10 May 2019, 13,500,000 nil paid shares in Eco-Victory were allotted and issued to 91 individuals, who are partners of Zhuoneng Management, Haifeng Management and Qian Zhiyi Management, based on the respective individuals' shareholding in Zhuoneng Management, Haifeng Management and Qian Zhiyi Management. Among those 91 individuals, three individuals are directors of our Group namely, Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang, two

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individuals are senior management of our Group namely Ms. Guo Hong and Mr. Luo Shudan, two individuals are staff members of our Group. As at the Latest Practicable Date, the aggregated percentage of shares in Eco-Victory held by directors of our Group, senior management of our Group and staff members of our Group are approximately 5.19%, 1.48% and 1.48%, respectively, and the shareholding percentages of these 91 individual shareholders in Eco-Victory range from approximately 0.74% to 2.96% and no individual shareholder is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of Eco-Victory. The shareholders of Eco-Victory have not entered into any act in concert arrangement or other voting arrangement. On 14 October 2019, Eco-Victory repurchased 13,498,650 shares from its 91 shareholders on a pro rata basis at a nominal consideration of US\$1 for each individual and upon the repurchase of shares, its issued share capital is reduced to 1,350 shares. There was no change in the respective shareholding percentage of the 91 individuals in Eco-Victory after the repurchase of shares by Eco-Victory. There is also no difference in the respective shareholding percentage that the 91 individuals in Eco-Victory hold in the Company after completion of the Reorganisation, and the respective shareholding that the 91 individuals indirectly held in Xingye IOT Management through their shareholdings in Haifeng Management, Qian Zhiyi Management and Zhuoneng Management immediately before completion of acquisition (transfer of equity interest) of Xingye IOT Management to Xingye IOT (HK).

As part of the Reorganisation, on 9 October 2019, Eco-Victory acquired 2,455 Shares, representing 24.55% of the issued share capital of our Company from Foison Amber Development at a consideration of approximately RMB22.0 million in cash, which was determined with reference to the total cash consideration received by Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management for the disposal of their interest in Xingye IOT Management to Xingye IOT (HK), referred to in step 4 of the Reorganisation above.

Upon completion of the acquisition of 24.55% of our Shares by Eco-Victory, (i) our Company was owned as to 75.45% and 24.55% by Foison Amber Development and Eco-Victory, respectively; and (ii) the exercise of 75.45% voting powers at our shareholders' meeting of our Company was in the hands of Ms. Zhang, instead of in the hands of the trustee of the Blossom Trust.

Eco-Victory has undertaken to and covenanted with our Company that it shall not within a period commencing on the Listing Date and ending on the date which is 12 months from the Listing Date, dispose of any of the Share in respect of which it is the beneficial owner.

6. Increase of authorised share capital of our Company

On 7 February 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 new Shares.

7. Capitalisation Issue

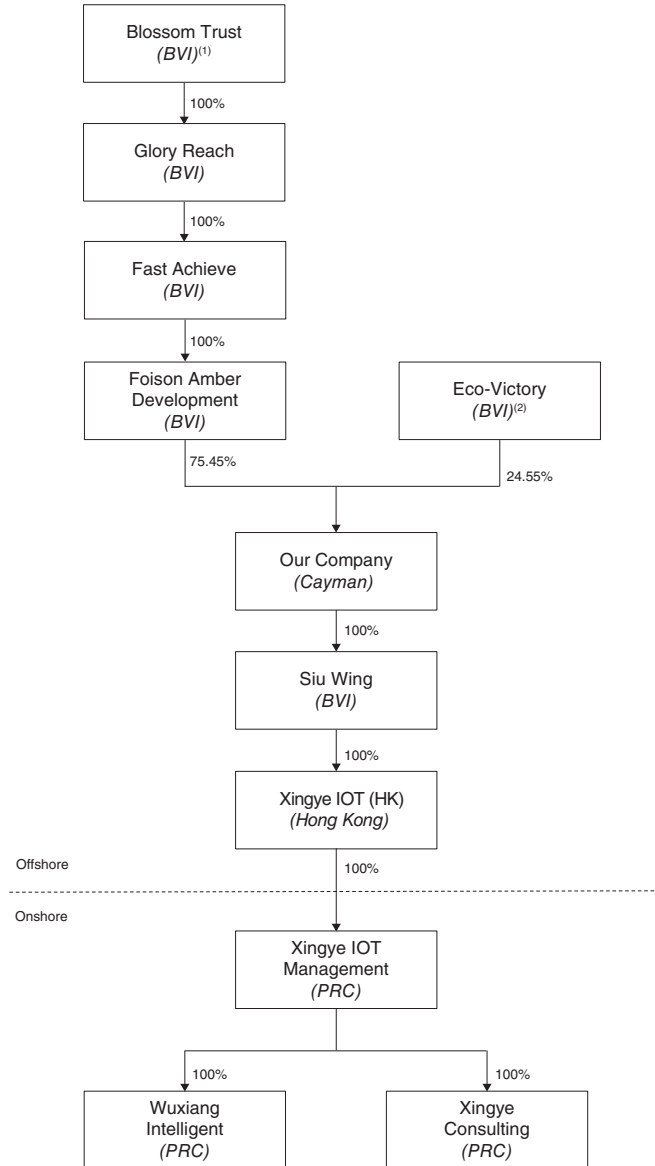
Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of HK\$2,999,900 from the share premium account of our Company and apply such amount in paying up in full at par for allotment and issue of 299,990,000 Shares. For more details, please refer to the section headed "Share capital – Capitalisation Issue" of this prospectus.

Immediately after completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the exercise of 56.59% voting powers at the shareholders' meeting of our Company would be in the hands of Ms. Zhang, instead of in the hands of the trustee of the Blossom Trust.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

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



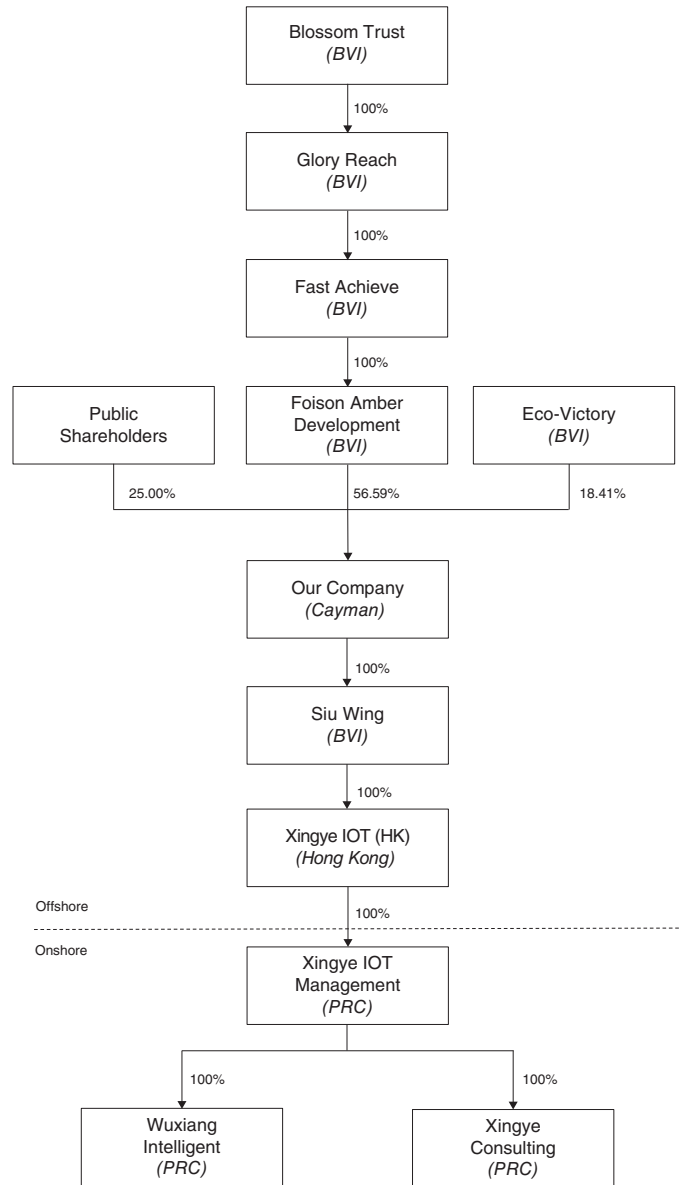
Notes:

1. The Blossom Trust was established as a discretionary trust by Ms. Huang Yanping as settlor and initial beneficiary on 16 August 2019. On 5 September 2019, upon completion of acquisition (transfer of equity interest) of Xingye IOT Management to Xingye IOT (HK), Ms. Huang Yanping ceased to be the beneficiary of the Blossom Trust and Ms. Zhang and her descendants were appointed as the discretionary beneficiaries of the Blossom Trust. Ms. Zhang was also appointed as the protector of the Blossom Trust on the same day. The trustee of the Blossom Trust is a professional trustee company, namely *Vistra Trust (BVI) Limited*.
2. The shareholders of Eco-Victory comprise 91 individual shareholders and these 91 individuals are partners of *Zhuoneng Management*, *Haifeng Management* and *Qian Zhiyi Management*.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised).



HISTORY, DEVELOPMENT AND REORGANISATION

PRC REGULATORY REQUIREMENTS

Rules on the mergers and acquisitions of domestic enterprises by foreign investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》) (the “**Circular No.10**”), jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, CSRC, SAMR and SAFE on 8 August 2006 and effective as at 8 September 2006 and amended by MOFCOM on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM.

On 5 September 2019, Xingye IOT (HK) acquired Xingye IOT Management at a consideration of approximately RMB89.5 million. As a result of the acquisition, Xingye IOT Management became a wholly-owned subsidiary of Xingye IOT (HK). As advised by our PRC Legal Advisors, the acquisition of Xingye IOT Management by Xingye IOT (HK) is subject to Circular No.10. However, Ms. Huang Yanping, as the beneficial owner of Xingye IOT (HK) at the time of the acquisition, is a Saint Christopher and Nevis resident rather than a PRC domestic natural person under Circular No.10, no approval of the CSRC or MOFCOM for the above acquisition is required.

SAFE REGISTRATION

According to the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”) issued by SAFE on 4 July 2014, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. A “domestic individual resident” refers to a Chinese citizen who holds a Chinese domestic resident, military or armed police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest.

Pursuant to the Circular of the SAFE on further Simplifying and Improving the Direct Investment-related in 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) (the “**SAFE Circular No.13**”), promulgated on 13 February 2015 by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity were located. Our PRC Legal Advisors confirmed that the 91 shareholders of Eco-Victory and Ms. Zhang, who are PRC residents, have completed the registration on 11 September 2019 and 26 September 2019, respectively, according to the SAFE Circular No. 37 and the SAFE Circular No. 13.

OVERVIEW

Established in 1999, we are a reputable property management service provider in Henan Province with a particular focus on offering property management and value-added services for non-residential properties. According to the Savills Report, we were the fourth largest non-residential property management service provider in Henan Province in terms of GFA for properties under management in 2018, with our market share of approximately 0.6% in Henan Province in 2018. In 2019, we were also ranked 67 among the Top 100 Property Management Companies in the PRC in terms of overall strength according to the CIA and the China Real Estate Top 10 Research Team. Our portfolio of properties under management expanded rapidly during the Track Record Period, with the GFA increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our portfolio of properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate and our portfolio of contracted properties has GFA of approximately 4.1 million sq.m. in aggregate. During the Track Record Period, a significant portion of our properties under management were developed by Zensun Group, our connected person. Zensun Group is a leading property developer and a Class I Real Estate Development Enterprise in the PRC. It was recognised as a top 50 property developer in China in 2018 and 2019 by China Real Estate Association (中國房地產業協會) in terms of comprehensive property development ability, and has been ranked first among property developers in Zhengzhou, Henan Province in terms of contracted sales and floor area sold for a consecutive seven years from 2012 to 2018. In addition to the typical property management and value-added services, since 2017, we have started to provide property engineering services to our customers. Details of our two business segments are summarised as follows:

- *Property Management and Value-added Services* – We provide a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. For property management services, we charge our customers of our properties under management (e.g. property owners for sold properties and property developers for unsold properties) a property management fee for the provision of such property management services on a lump-sum basis, which is usually paid in advance semi-annually. For value-added services, we generally charge a fee which is payable when such value-added services are rendered.
- *Property Engineering Services* – We provide our customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to enhance the quality of the property management systems of our customers. The time required and service fee charged for each individual project are based on the complexity and the scope of service required by our customer. The payment is generally due upon achieving certain milestones or successful completion of the projects.

To enhance our service and in line with the trend in the development of mobile technology, we developed a mobile phone application – “Ai Ban (愛辦)”, through which we can improve our communication with the users which, ultimately improves our customers’ satisfaction. This mobile application has multiple functions which include, among others, the payment of property management fee, booking for repair and maintenance services and as

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building access card. For further information about this mobile application, please refer to the paragraph headed “Property management and value-added services – Information technology and monitoring system – Our “Ai Ban (愛辦)” mobile application” in this section.

During the Track Record Period, our GFA for properties under management increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. The total revenue of our Group increased significantly from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB131.0 million for the year ended 31 December 2018, representing a CAGR of approximately 66.4%. Our total revenue amounted to approximately RMB89.7 million and RMB127.3 million for the nine months ended 30 September 2018 and 2019, respectively. Our net profit increased significantly from approximately RMB11.5 million for the year ended 31 December 2016 to approximately RMB34.2 million for the year ended 31 December 2018, representing a CAGR of approximately 72.5%. Our net profit amounted to approximately RMB26.3 million and RMB28.1 million for the nine months ended 30 September 2018 and 2019, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below have driven our growth in revenue and distinguish us from our competitors:

We are an established property management service provider and one of the Top 100 Property Management Companies in the PRC

We commenced operation in 1999 and have nearly 20 years of experience in operating as a property management service provider in Zhengzhou, Henan Province. Prior to 2015, we were engaged in the provision of property management services for residential properties. In 2015, we began to shift our focus to non-residential properties. We were recognised by the CIA as one of the Top 100 Property Management Companies in China in 2017, 2018 and 2019. We were also recognised as a Leading Brand of Central China Property Service (中國華中物業服務領先品牌) in 2017 and a China Property Service Outstanding Enterprise (中國物業服務優秀服務企業) in 2018. According to the Savills Report, we were the fourth largest non-residential property management service provider in Henan Province in terms of GFA for properties under management in 2018. For our other awards and recognitions, please refer to the paragraph headed “Awards and recognitions” in this section.

During the Track Record Period, our business had experienced significant growth, where our GFA for properties under management increased by approximately 71.4% from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 1.2 million sq.m. as at 31 December 2017, and increased by approximately 33.3% to approximately 1.6 million sq.m. as at 31 December 2018 and further increased by approximately 31.3% to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, we had a total of 21 properties under our management with an aggregate GFA of approximately 2.4 million sq.m.

Our Directors believe that we can continue to leverage on our industry reputation in Zhengzhou in securing projects with Zensun Group and other potential customers, and that we are well positioned in the Henan Province to further capture market share and take advantage of any future development.

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We are uniquely positioned in Zhengzhou, Henan Province to take advantage of the overall growth in property management industry in China

We are headquartered in Zhengzhou, which is the capital city of Henan Province. Henan Province is the PRC's third most populous province with a population of approximately 96.0 million in 2018 and is widely regarded as “the Centre of China”. Given its unique geographic position, it also serves as the transportation hub for the PRC. Furthermore, Zhengzhou has been promoted as a national central city (國家中心城市) in the PRC in December 2016. As such, according to the Savills Report, the number of commercial buildings and infrastructure will continue to grow in Zhengzhou from 2019 to 2023, which provides more opportunities for property management companies.

Given the above, our Directors believe that we are well positioned to take advantage and benefit from the overall growth in property management industry in China, which is estimated to grow at an average annual rate of approximately 11.5% between 2019 and 2023 according to the Savills Report, and the potential projects in Zhengzhou, thereby facilitating the robust growth of our Group.

We have a strong leverage on large project portfolio of Zensun Group

Our proven track record of business with our connected person, Zensun Group, has enabled us to benefit from its extensive and large project portfolio. During the Track Record Period, our revenue from property management services accounted for most of our revenue from property management and value-added services, which amounted to approximately 96.3%, 94.7%, 95.8% and 94.2%, respectively. During the Track Record Period, our revenue from property management services provided to the non-residential properties developed by Zensun Group accounted for approximately 94.0%, 88.2%, 88.3% and 87.7% of our revenue from property management and value added-services, respectively, whereas our revenue from property engineering services were all derived from Zensun Group.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the total GFA of non-residential properties developed by Zensun Group were approximately 0.7 million sq.m., 1.3 million sq.m., 1.9 million sq.m. and 2.1 million sq.m., respectively, of which approximately 89.1%, 94.0%, 96.1% and 94.9% of GFA were contracted to be managed by our Group. Our Group did not provide property management services for all non-residential properties developed by Zensun Group during the Track Record Period as (i) some non-residential properties were developed for settlement to original land owners for which the selection of property management companies were decided by third parties other than Zensun Group and they were not open for tender; or (ii) our Group decided not to submit tender after considering several factors, such as cost, benefit and scale of property.

As such, our Directors believe that we can continue to leverage our long-term business cooperation with Zensun Group, and secure a stable source of revenue in the future.

We have an experienced and dedicated management team

Our management team and key personnel have extensive industry knowledge, project management experience and industry expertise in property management. Our executive Director, Mr. Zhu Jie, has over 18 years of experience in the real estate and property management industry and members of our senior management have, on average, over eight years of experience in the property management industry. The experience of our management team is essential to us in securing new business, and the efficient and timely implementation and management of each property project. Please refer to the section headed “Directors and senior management” of this prospectus for further details of our Directors and senior management.

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Our Directors believe that the combination of our management's collective expertise and industry knowledge, together with our employees, is essential to our success and enables us to seize market opportunities, formulate effective business strategies, evaluate and control risks, implement management plans, and enhance our profitability.

We have a strong commitment to safety, environment and quality

We have established a set of internal quality assurance measures and have committed to high standard and control. We have been accredited and re-accredited with ISO9001:2015 (revised from ISO9001:2008), ISO14001:2015 and OHSAS18001:2007. Our Directors believe that these certifications enhance our public image, credibility and customers' confidence in our Group.

Our Directors believe that the continued success of our business primarily depends on our ability to meet our customers' requirements, particularly in respect of safety, environment and quality aspects, and that our certified status will continue to bring us more business opportunities and uphold our competitiveness.

BUSINESS STRATEGIES

Our business objectives are to maintain the sustainable growth of our business and to create long-term shareholders' value. In this connection, we intend to maintain our position as one of the leading property management service providers in Zhengzhou and to continue to build on our existing competitive strengths stated above. To achieve our business objectives, we plan to implement the following business strategies:

Continue to focus on mid to high-end non-residential properties and plan to take on additional property management projects

Our Directors believe that as the PRC continues to develop and urbanise, the demand for new buildings, both residential and non-residential, will continue to be high, which will create stimulus for the property management industry in Zhengzhou as well as other cities in the PRC. It is our business strategy to capture the business opportunities from other cities in Henan Province and in provinces near Henan Province which we believe will fuel our future success. According to the Savills Report, the property management industry will continue to be boosted by the uninterrupted supply of commodity properties (being residential properties developed for sale and non-residential properties comprising retail, office and industrial properties either for sale or for lease) leading to healthy real estate market development. It is estimated that the total GFA for properties under management in the PRC will increase from approximately 25,976.2 million sq.m. in 2018 to approximately 31,595.1 million sq.m. in 2023, representing a CAGR of approximately 4.0%.

Going forward, our Directors intend to further develop our business by tendering more projects, with a specific interest in mid to high-end non-residential buildings. At the same time, we will also tender for more governmental buildings for improving our Group's profile and exposure in the market. The rationale behind our focus on non-residential properties is due to its higher property management fees compared to residential properties. The revenue generated from our property management services for non-residential properties increased from approximately RMB45.5 million for the year ended 31 December 2016 to approximately RMB102.9 million for the year ended 31 December 2018. The revenue generated from our property management services for non-residential properties amounted to approximately RMB75.3 million and RMB105.4 million for the nine months ended 30 September 2018 and 2019, respectively.

Selectively pursue merger and acquisition opportunities within the property management industry

According to the Savills Report, after decades of development of the property management industry, some of the Top 100 Property Management Companies in the PRC have speeded up innovating their services and expanding their business scale. In addition, the market continues to become more concentrated. In the scattered and competitive property management industry, large-scale property management companies actively improve their strategic layout and accelerate their expansion in order to increase their market share and achieve better results of operations, primarily through organic growth and mergers and acquisitions. Many property management companies use mergers and acquisitions as tools to mitigate risks when expanding into new markets, which can help new entrants access the local market by leveraging the resources of the merged or acquired entity that is already established in the local market and acquiring new capabilities in providing property related business service which creates synergy with their existing property management services.

We also plan to capture new business opportunities and increase our geographical coverage by seeking and considering suitable merger and acquisition opportunities to enhance our capabilities in undertaking different types of property management projects or acquiring local knowledge or connections. We primarily target (i) small and medium sized property management service providers or project companies located in cities in Henan Province and in neighbouring provinces of Henan Province with a focus on providing property management services for non-residential properties, including governmental buildings, schools, industrial parks, hotels, hospitals and property management companies held by small sized non-residential property developers; and (ii) property management related professional service providers located in Zhengzhou, Henan Province, and any other location where our Group or any member of our Group conducts its business, engaging in property maintenance engineering, fire engineering and professional cleaning. As at the Latest Practicable Date, we had not identified any target company for acquisition.

For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Participate in an early stage of construction projects with a view to winning the property management agreement tender at a later stage of the projects

Our Directors understand that most of the construction projects in the property sector used the design-bid-build (“DBB”) model as project delivery method, under which the design, bid and construction phases of a project are sequential, and one phase does not begin until the previous phase had been completed. The owner of the property will generally engage property management service provider before completion of construction phase of a project, and our Directors intend to participate from an early stage of a construction project by leveraging our ability in property engineering services.

Our Group in its role as consultant to the property developer or property owner may enter as early as in the pre-design phase or design phase when the schematic design, design development and construction documents are being developed. In terms of property engineering, we are able to provide services on the design, cost control and procurement aspect for building services (such as security, fire control, lifts, HVAC (heating, ventilation and air-conditioning) and communications).

During the construction phase, our Group’s property engineering services will provide site security and surveillance support through the provision of control system such as facial recognition, smart card systems, overall surveillance and installation support. This is crucial as it is in the interest of the parties involving in the construction projects to keep track of the

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attendance of construction workers effectively so as to minimise the risks of future labour disputes. Moreover, real-time surveillance of the construction sites will keep out undesired personnel from entering the site to prevent, for instance, damaging of properties and any unauthorised activities conducted on site.

At the occupancy phase, we can take up a consultant role for the supervision and handover of the project from the general contractor, preparing documents such as house rules, regulating the future property management operations and employing the required staff responsible for the provision of property management services.

Our Directors believe that our Group possesses the necessary property engineering services capabilities, property management capabilities and experiences and will be able to participate as early as in either the pre-design or design phase of a construction project. By engaging in the early stages of the projects, our Group will be more familiar with the design of the property, understand the requirements of, and build rapport, especially with third-party property developers or property owners. This will be particularly advantageous for us to bid and win property management agreements at a later stage.

Continue to develop our mobile application to enhance our customer and user experience

One of our plans and initiatives is to deploy and strengthen our mobile application “Ai Ban (愛辦)” with a view to enhancing our customer and user experience. We believe that this advancement in technology facilitates the interaction among us and property owners of our properties under management, improve our operation planning and efficiency and our customers’ satisfaction rates. We expect our mobile application will allow us to collect data during our daily operation, which will enable us to analyse the data collected for improving the quality and efficiency of our services. Our Directors also believe that this new technology trend in mobile technology will improve our revenue and profitability as we will be able to charge a higher property management fees as compare to the traditional property management service.

We intend to continue to increase the number of registered users and the usage of our mobile application by increasing the functionalities of our mobile application and push promotional events to attract more traffic and awareness from the owners of our properties under management. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our research and development expenses amounted to nil, approximately RMB0.3 million, RMB3.0 million and RMB0.9 million, respectively. Going forward, we expect more resources will be channeled to this initiative.

Continue to develop our property engineering services

We plan to develop our property engineering services by offering new products with enhanced functionalities and enhancing relevant technology:

- a system with enhanced functionalities for use in construction sites which can help improve our safety, inventory security, tower crane management and environmental monitoring; and
- system integration of our existing systems with facial recognition technology such that apart from access control and monitoring functions, registered person can have access to other functions and systems, at the same time enhance our management efficiency.

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Our property engineering services will be enhanced by the development of these new systems which we can then provide to property developers. For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Continue to upgrade our information technology systems to enhance our operational efficiency in our property management business

We plan to enhance our property management business by developing and implementing the following information technology systems:

- an information technology system which can help enhance our facilities management, improve safety and security and energy management; and
- upgrading and strengthening our information management system including our customer relationship management systems, payment management systems and enterprise resource planning system.

For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

OUR BUSINESS OPERATIONS

During the Track Record Period, our Group’s revenue was mainly generated from the provision of property management and value-added services for our non-residential property projects and these projects were mainly located in Zhengzhou, Henan Province. In addition to the typical property management and value-added services, we also provide property engineering services to our customers. Details of two of our business segments are summarised as follows:

- *Property Management and Value-added Services* – We provide a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas, and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. For property management services, we charge our customers of our properties under management (e.g. property owners for sold properties and property developers for unsold properties) a property management fee for the provision of such property management services on a lump-sum basis and are usually paid in advance semi-annually. For value-added services, we generally charge a fee which is payable when such value-added services are rendered.
- *Property Engineering Services* – We provide our customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to enhance the quality of the property management systems of our customers. The time required and service fee charged for each individual project are based on the complexity and the scope of service required by our customer. The payment is generally due upon achieving certain milestones or successful completion of the projects.

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The following table sets out the breakdown of our revenue by type of services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management and value-added services										
– Property management services	45,532	96.3	72,046	94.7	102,918	78.5	75,289	83.9	105,355	82.8
– Value-added services	1,744	3.7	4,022	5.3	4,562	3.5	3,518	4.0	6,435	5.0
Property engineering services ^(Note 1)	–	–	–	–	18,297	14.0	6,651	7.4	14,776	11.6
Ancillary food supply services ^(Note 2)	–	–	–	–	5,269	4.0	4,235	4.7	730	0.6
Total	47,276	100.0	76,068	100.0	131,046	100.0	89,693	100.0	127,296	100.0

Notes:

- Our Group commenced business in providing property engineering services in October 2017 and started to generate revenue during the year ended 31 December 2018.
- The revenue generated from ancillary food supply services consists of selling of agricultural products to the canteens of our customers. Our Directors confirmed that the last contract relating to our ancillary food supply services ended in August 2019.

PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES

Our Group commenced to provide property management and value-added services in 1999. In 2015, we began to focus on the provision of property management services for non-residential properties. We position ourselves as a mid to high-end property management service provider for non-residential properties. We generally target to provide our services for new properties rather than existing or dated properties as new properties generally have better infrastructure and facilities which enable us to provide better services to our customers, which in turn result in higher property management fees.

Our portfolio of properties under management expanded significantly during the Track Record Period. Our GFA increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our portfolio of properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate. Most of our properties under management were developed by Zensun Group, our connected person. During the Track Record Period, we experienced a significant growth in our revenue generated from property management and value-added services which increased from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB107.5 million for the year ended 31 December 2018, representing a CAGR of approximately 50.8%. Our revenue from property management and value-added services amounted to approximately RMB78.8 million and RMB111.8 million for the nine months ended 30 September 2018 and 2019, respectively. Property management and value-added service fees received represented the major source of our revenue, which contributed 100.0%, 100.0%, approximately 82.0% and approximately 87.8% of our total revenue for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. During the Track Record Period, most of our revenue from property management services was derived from non-residential properties developed by

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Zensun Group, which amounted for approximately 94.0%, 88.2%, 88.3% and 87.7% of our revenue from property management and value-added services for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Since we have a strong leverage on the non-residential properties developed by Zensun Group, by maintaining a long-term cooperative relationship with Zensun Group, we expect that our provision of property management and value-added services to properties developed by Zensun Group will continue to be the major source of revenue in the foreseeable future. Going forward, we also endeavour to seek and expand our cooperation with independent property developers and local government by actively participating in the early stage of a construction project by leveraging our ability in property engineering services and biddings for more property management or property engineering projects, engaging in business negotiations, paying business visits to independent property developers and relevant property owners' associations. We will also pay close attention to market opportunities such as equity participation and mergers and acquisitions etc.

Scope of property management and value-added services

The scope of property management services that we typically provide includes the followings:

- *Security services* – we provide security services in ensuring that the properties under management are safe and secure, including access control into the building, patrolling within the building and its vicinity, video surveillance, carpark security, fire safety management, visitors registration and emergency response. We outsourced a majority of the security services to third-party subcontractors while retaining the overall management and important functions to our own employees.
- *Cleaning, greening and gardening services* – we provide general cleaning, garbage collection, greening and gardening services to common areas of the properties through subcontractors.
- *Parking space management services* – we are responsible for the daily operation and maintenance of the car parks of properties under management by providing cleaning, security and facilities management services. We also have carpark management system to record all the entries and exits of vehicles.
- *Repair, maintenance and management services* – we are generally responsible for the repair, maintenance and management of (i) fire facilities and safety signs, such as fire alarm system, smoke sensors, fire extinguisher and conduct regular fire drills; (ii) utilities facilities such as lighting, drainage and sewage systems, water supply, water pump and tank systems; and (iii) security facilities such as entrance barrier and surveillance cameras, in common areas.
- *Customer services* – we also provide customer handling and feedback services in ensuring customers' satisfaction.

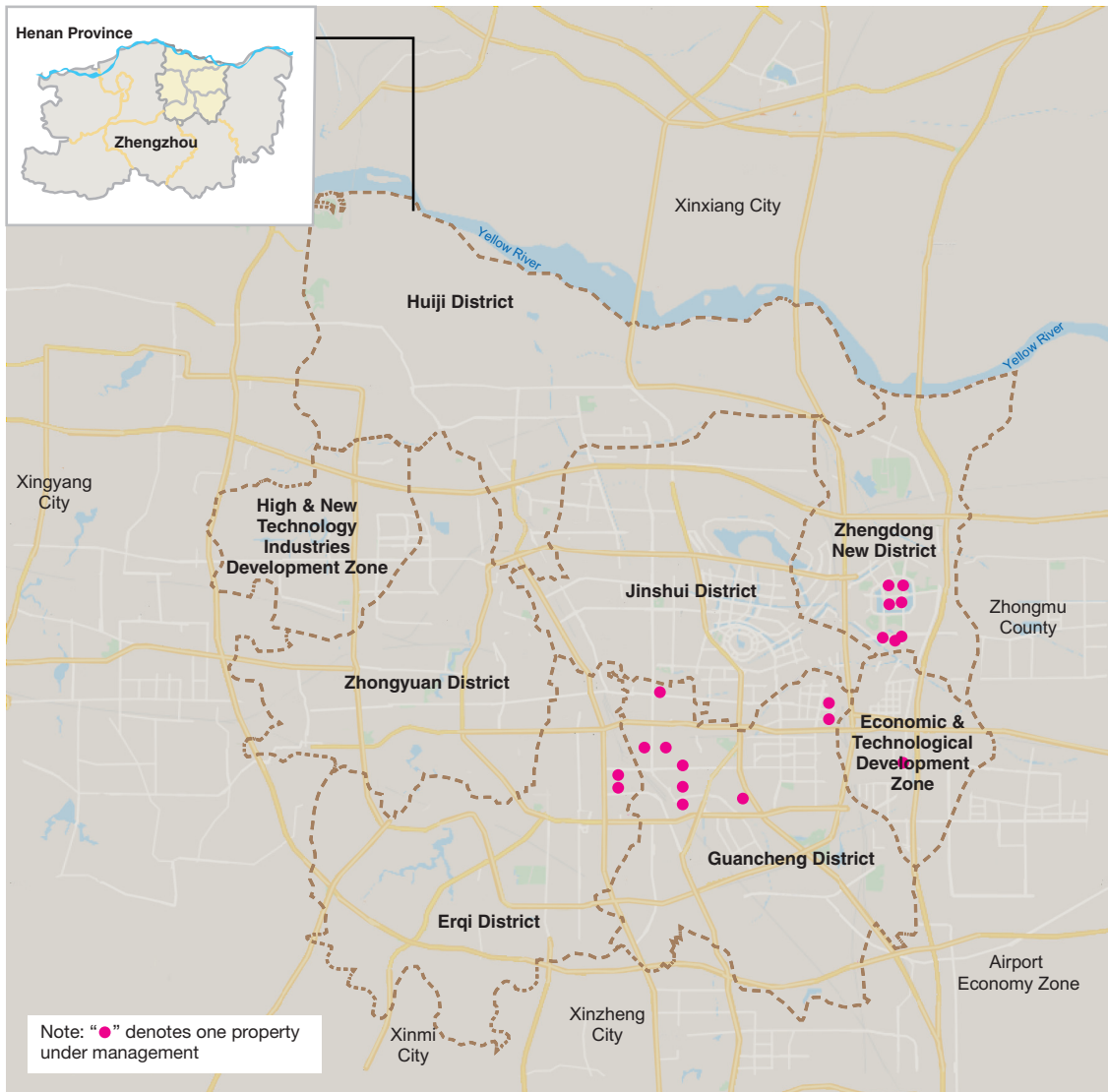
The scope of value-added services that we typically provide includes repair and maintenance for exclusive use areas, renovation waste clearance and intermediary leasing services, etc. Since April 2016, our Group has provided intermediary leasing services through Xingye IOT Management to customers, who are property owners of properties under management, through promoting the leasing of properties under management owned by these property owners to potential tenants, and we generally charge a commission which is equal to half to one month's rent to be received by the property owners. Our revenue from provision of intermediary leasing services were approximately RMB0.2 million, RMB0.9 million, RMB1.2 million and RMB1.3 million for each of the three years ended 31 December

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2018 and the nine months ended 30 September 2019, respectively. Our Group intends to continue to provide professional intermediary leasing services in the future. Xingye Consulting, holder of the “Certificate of Filing of Real Estate Brokerage Business” and a member of our Group, started to provide professional intermediary leasing services from July 2019, as our Directors believe that it would be more suitable for Xingye IOT Management to focus on providing property management services to our customers and thus Xingye IOT Management ceased to provide intermediary leasing services from 30 June 2019.

Portfolio of properties managed

Our Group currently focuses on the provision of property management and value-added services to non-residential properties located in Henan Province. During the Track Record Period, all of our properties under management were located in Zhengzhou, apart from one of our properties under management which is located in Anyang of Henan Province. The following map illustrates the locations of our properties under management as at 30 September 2019:



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The following table sets out the number of properties under management by type of properties as at the dates indicated:

	As at 31 December			As at 30 September	
	2016	2017	2018	2018	2019
Commercial building	6	10	13	12	16
School	1	1	0	0	0
Governmental building	1	2	3	3	3
Total	8	13	16	15	19

The following table sets out the breakdown of GFA for our properties under management by type of properties as at the dates indicated:

	As at 31 December						As at 30 September			
	2016		2017		2018		2018		2019	
	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%
Commercial building	614,736	88.7	1,099,123	90.2	1,505,948	93.2	1,480,859	93.1	1,985,008	94.2
School	59,276	8.6	59,276	4.9	-	-	-	-	-	-
Governmental building ..	19,200	2.7	59,253	4.9	109,033	6.8	109,033	6.9	121,144	5.8
Total	693,212	100.0	1,217,652	100.0	1,614,981	100.0	1,589,892	100.0	2,106,152	100.0

The following table sets out the breakdown of our revenue from providing property management services by type of properties and value-added services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management services										
- Commercial building	44,436	94.0	67,068	88.2	94,935	88.3	69,675	88.4	98,070	87.7
- School	541	1.1	570	0.7	84	0.1	84	0.1	-	-
- Governmental building ..	555	1.2	4,408	5.8	7,899	7.4	5,530	7.0	7,285	6.5
	45,532	96.3	72,046	94.7	102,918	95.8	75,289	95.5	105,355	94.2
Value-added services	1,744	3.7	4,022	5.3	4,562	4.2	3,518	4.5	6,435	5.8
Total	47,276	100.0	76,068	100.0	107,480	100.0	78,807	100.0	111,790	100.0

During the Track Record Period, all commercial buildings under our management were developed by Zensun Group, whereas all schools and governmental buildings under our management were properties developed by independent property owners. During the Track Record Period, the percentage of our commercial properties under management in terms of GFA had increased from approximately 88.7% as at 31 December 2016 to approximately 94.2% as at 30 September 2019. Furthermore, during the Track Record Period, the percentage of our revenue derived from commercial properties under management decreased from approximately 94.0% for the year ended 31 December 2016 to approximately 87.7% for the nine months ended 30 September 2019.

The property management fee of unsold property is typically 50% of the property management fee derived from sold property. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, the total GFA for unsold properties developed by Zensun Group which were managed by our Group was approximately 0.2 million sq.m., 0.4 million sq.m., 0.5 million sq.m. and 0.6 million sq.m., respectively, with a total property management fee of approximately RMB6.0 million, RMB8.9 million, RMB15.7 million and RMB17.4 million, respectively (without taking into account revenue contributed by Zensun Group in relation to value-added services of approximately RMB10,000, nil, nil and approximately RMB1.0 million, respectively, and the property management fees for investment properties held by Zensun Development Group of approximately RMB0.9 million, RMB1.1 million, RMB1.5 million and RMB1.4 million, respectively).

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The following table sets out details of our properties under management as at the Latest Practicable Date:

No.	Properties under management	Property type	Revenue model	Contract date ^(Note 1)	Contract term ^(Note 2)	Delivery date ^(Note 5)	Commencement date ^(Note 6)	GFA for properties under management				Property management fee					
								As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 September 2019	As at the Latest Practicable Date	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the nine months ended 30 September 2019	
				(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
1	Jianzheng Dongfang Centre (建正東方中心)	Commercial building	Lump-sum basis	June 2015	From August 2015 to August 2025 ^(Note 3)	December 2014	August 2015	274,216	274,216	274,216	274,216	274,216	274,216	28,163	29,392	30,130	23,934
2	Zensun International Plaza (正商國際廣場)	Commercial building	Lump-sum basis	September 2015	From September 2015 onwards ^(Note 3)	September 2014	September 2015	55,702	55,702	55,702	55,702	55,702	55,702	3,020 ^(Note 7)	3,869	3,788	3,151
3	Zensun Xiangyang Square (正商向陽廣場)	Commercial building	Lump-sum basis	September 2015	From September 2015 onwards ^(Note 3)	June 2015	September 2015	37,889	37,889	37,889	37,889	37,889	37,889	2,206	2,272	2,480	1,906
4	Zensun Hexie Building (正商和諧大廈)	Commercial building	Lump-sum basis	January 2016	From January 2016 onwards ^(Note 3)	April 2015	January 2016	78,107	78,107	78,107	78,107	78,107	78,107	5,597	5,771	5,724	4,407
5	Property A – Governmental Building	Governmental building	Lump-sum basis	April 2016	From April 2016 to April 2020 ^(Note 4)	N/A	April 2016	19,200	19,200	19,200	31,311	31,311	31,311	555 ^(Note 8)	883	941	1,576
6	Zensun University Square (正商學府廣場)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	June 2016	July 2016	99,168	99,168	99,168	99,168	99,168	99,168	4,448	9,053	9,199	7,118
7	Zensun Lantai Square (正商藍海廣場)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	December 2016	December 2016	69,654	69,654	69,654	69,654	69,654	69,654	225 ^(Note 9)	3,786	4,287	3,317
8	Zensun Cheng He Yuan Square (正商成和園廣場)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	January 2017	January 2017	172,967	172,967	172,967	172,967	172,967	172,967	– ^(Note 10)	6,098	9,880	8,387
9	Zensun Jiashi Pavilion (正商佳世閣)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	June 2017	July 2017	–	69,866	69,866	69,866	69,866	69,866	–	1,183 ^(Note 11)	2,603	2,027
10	Zensun Huanhu International (正商寰湖國際)	Commercial building	Lump-sum basis	December 2016	From December 2016 onwards ^(Note 3)	June 2017	July 2017	–	42,715	42,715	42,715	42,715	42,715	–	1,595	3,279	2,913
11	Property B – Governmental Building	Governmental building	Lump-sum basis	March 2017	From February 2020 to January 2021 ^(Note 4)	N/A	August 2017	–	40,053	41,482	41,482	41,482	41,482	–	3,526	6,034	4,520

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No.	Properties under management	Property type	Revenue model	Contract date ^(Note 1)	Contract term ^(Note 2)	Delivery date ^(Note 5)	Commencement date ^(Note 6)	GFA for properties under management				Property management fee				
								As at 31 December 2016 (sq.m.)	As at 31 December 2017 (sq.m.)	As at 31 December 2018 (sq.m.)	As at 30 September 2019 (sq.m.)	As at the Latest Practicable Date (sq.m.)	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (RMB'000)	For the nine months ended 30 September 2019 (RMB'000)
12	Zensun Muzhua Square (正商木華廣場)	Commercial building	Lump-sum basis	December 2016	From December 2016 onwards ^(Note 3)	July 2017	August 2017	-	198,839	198,839	198,839	198,839	-	4,048	10,326	9,675
13	Zensun Huidu Centre (正商匯都中心)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	December 2017	January 2018	-	85,691	85,691	85,691	85,691	-	- ^(Note 12)	3,309	2,497
14	Zensun Jingkai Square (正商經凱廣場)	Commercial building	Lump-sum basis	June 2015	From June 2015 onwards ^(Note 3)	April 2018	May 2018	-	296,046	296,046	296,046	296,046	-	- ^(Note 13)	9,493	14,899
15	Zhengzhou People's Procuratorate (鄭州市人民檢察院)	Governmental building	Lump-sum basis	May 2018	From June 2018 to May 2020 ^(Note 4)	N/A	June 2018	-	48,351	48,351	48,351	48,351	-	-	924	1,189
16	Zensun Boya Square (正商博雅廣場)	Commercial building	Lump-sum basis	July 2015	From July 2015 onwards ^(Note 3)	October 2018	November 2018	-	25,089	25,089	234,200	234,200	-	-	227	7,621
17	Zensun Huaxiang International Building (正商華祥國際大廈)	Commercial building	Lump-sum basis	May 2016	From May 2016 onwards ^(Note 3)	January 2019	January 2019	-	-	-	77,578	77,578	-	-	- ^(Note 14)	2,084
18	Zensun Cheng Xi Yuan Court No. 2 (正商誠熙園2號院)	Commercial building	Lump-sum basis	October 2015	From October 2015 onwards ^(Note 3)	December 2018	January 2019	-	-	-	132,807	132,807	-	-	- ^(Note 15)	3,663
19	Zensun Huazuan Huijing Court No. 2 (正商華鑽匯景2號院)	Commercial building	Lump-sum basis	March 2016	From March 2016 onwards ^(Note 3)	June 2019	July 2019	-	-	-	59,563	59,563	-	-	-	471 ^(Note 16)
20	Property C - Industrial Park	Industrial park	Lump-sum basis	June 2019	1 year from the commencement date ^(Note 4)	N/A	December 2019	-	-	-	200,000	200,000	-	-	-	-
21	Zensun Shuxiang Mingzhu (正商書香錦築)	Commercial building	Lump-sum basis	April 2017	From April 2017 onwards ^(Note 3)	December 2019	January 2020	-	-	-	143,371	143,371	-	-	-	-

Notes:

1. Contract date is the date on which our Group entered into preliminary property management agreement or property management agreement with our customer. If our Group entered into more than one property management agreement with a customer for the same properties under management, contract date denotes the date of the first property management agreement entered into with the parties.
2. If our Group entered into more than one property management agreement with a customer for the same properties under management, contract term denotes the term of the latest property management agreement entered into with the parties.
3. Preliminary property management agreement with or without fixed term, which expires when a new property management agreement will be entered into with the relevant property owners' association in replacing the preliminary property management agreement.
4. Property management agreement with fixed terms.
5. Delivery date is the date when Zensun Group delivered the properties to the property owners.
6. Commencement date is the date on which our Group started to manage the property and derive revenue therefrom.
7. The property incurred a gross loss of approximately RMB0.3 million for the year ended 31 December 2016 as the percentage of unsold properties under management was high in 2016.
8. The property incurred a gross loss of approximately RMB23,000 for the year ended 31 December 2016 as it was the first governmental building managed by our Group and additional initial set-up costs were incurred in the early stage of the property management.
9. The property incurred a gross loss of approximately RMB0.2 million for the year ended 31 December 2016 as initial set-up costs were incurred in the pre-delivery and early stage of the property management in 2016, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in December 2016.
10. The property incurred a gross loss of approximately RMB0.3 million for the year ended 31 December 2016 as initial set-up costs were incurred in the pre-delivery stage of the property in 2016, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in January 2017.
11. The property incurred a gross loss of approximately RMB0.3 million for the year ended 31 December 2017 as initial set-up costs were incurred in the pre-delivery and early stage of the property management.
12. The property incurred a gross loss of approximately RMB0.1 million for the year ended 31 December 2017 as initial set-up costs were incurred in the pre-delivery stage of the property in 2017, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in January 2018.
13. The property incurred a gross loss of approximately RMB0.2 million for the year ended 31 December 2017 as initial set-up costs were incurred in the pre-delivery stage of the property in 2017, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in May 2018.
14. The property incurred a gross loss of approximately RMB0.2 million for the year ended 31 December 2018 as initial set-up costs were incurred in the pre-delivery stage of the property in 2018, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in January 2019.
15. The property incurred a gross loss of approximately RMB67,000 for the year ended 31 December 2018 as initial set-up costs were incurred in the pre-delivery stage of the property in 2018, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in January 2019.
16. The property incurred a gross loss of approximately RMB0.4 million for the nine months ended 30 September 2019, as more costs were attributable in the pre-delivery and early stage of the property management, whereas revenue was only recognised after our Group started to manage the property upon the commencement date in July 2019. Except for Zensun Huazuan Huijing Court No. 2 (正商華鑽匯景2號院) which was loss-making for the nine months ended 30 September 2019 and Zensun Shuxiang Mingzhu (正商書香銘築) which was loss-making from 1 October 2019 to the Latest Practicable Date, no other properties were loss-making for the nine months ended 30 September 2019 and from 1 October 2019 to the Latest Practicable Date.

The following table sets out details of our pipeline properties as at the Latest Practicable Date:

No.	Pipeline properties	Property type	Revenue model	Contract date ^(Note 1)	Expected commencement date ^(Note 2)	Approximate GFA for pipeline properties	Expected revenue	
							For the year ending 31 December 2020	For the year ending 31 December 2021
						(sq.m.)	RMB'000	RMB'000
1	Zensun Binhe Mingzhu (正商濱河銘築)	Commercial building	Lump-sum basis	May 2017	July 2020	171,703	3,184	6,368
2	Zensun Huihang Mingzhu (正商匯航銘築)	Commercial building	Lump-sum basis	September 2017	November 2020	279,396	1,051	12,613
3	Zensun Zichen Garden (正商紫辰園)	Commercial building	Lump-sum basis	September 2017	December 2020	146,979	515	6,185
4	Zensun Cheng He Yuan Court No. 2 (正商城和園2號院)	Commercial building	Lump-sum basis	June 2018	April 2021	86,968	–	2,857
5	Zensun Qihang International Plaza (正商啟航國際廣場)	Commercial building	Lump-sum basis	July 2018	July 2021	57,440	–	1,263
6	Zensun Meiyu Mingzhu (正商美譽銘築)	Commercial building	Lump-sum basis	August 2018	October 2021	185,616	–	2,230
7	Zensun Huihang Yayuan (正商匯航雅園)	Multi-purpose complexes	Lump-sum basis	September 2018	November 2021	286,806	–	2,072
8	Zensun International Building (正商國際大廈)	Commercial building	Lump-sum basis	October 2018	January 2022	139,559	–	–
9	Zensun Yuhang Mingzhu Land No. 3 (正商宇航銘築3號地)	Commercial building	Lump-sum basis	January 2019	January 2022	91,362	–	–
10	Zensun Chengxiang Garden Phase II & III (正商城祥園二期三期)	Commercial building	Lump-sum basis	August 2018	July 2022	175,799	–	–
11	Zensun Zhengheng International China Headquarters Building (正商正恒國際中國總部大廈)	Commercial building	Lump-sum basis	May 2019	July 2022	57,315	–	–

Notes:

- Contract date is the date our Group entered into preliminary property management or property management agreement with our customer.
- Expected commencement date is the month or one month after the delivery date under the property sales and purchase agreement entered into between Zensun Group and property owners, except for Zensun Chengxiang Garden Phase II & III (正商城祥園二期三期) is based on the expected completion date set out in the development plan from Zensun Group since the property sales and purchase agreement for such property has not yet been entered into.

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The following table sets out the expiration schedule of our preliminary property management agreements or property management agreements with respect to our portfolio of properties under management as at Latest Practicable Date:

	GFA for properties under management (sq.m.)	Number of agreements
Agreement without fixed term	1,854,162	16
Agreement with fixed terms expiring in		
Year ending 31 December 2020	279,662	3
Year ending 31 December 2021 and beyond	315,698	2
Total	2,449,522	21

In general, the preliminary property management agreements entered into between us and the property developers are with or without fixed terms, which normally run until the relevant property owners' association for the building is established, where a new property management agreement will be entered into in replacing the preliminary property management agreements. As for other property management agreement entered into with the government and non-property developers, they normally have a term of one to two years.

Property developers usually engage property management service providers by entering into preliminary property management agreements before newly developed properties are sold to property owners. This is to ensure that property management services are readily available as soon as the owners take delivery of the property and before the establishment of the property owners' associations through general meeting of property owners. Our PRC Legal Advisors advised that although neither the property owners' associations nor property owners are parties to the preliminary property management agreements, these agreements are nonetheless legally binding on the future property owners under PRC law as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management agreements. According to Article 11 and Article 12 of the Regulations on Property Management (《物業管理條例》) (revised and promulgated on 19 March 2018), a general meeting of property owners (業主大會) can engage or dismiss the property management company with affirmative votes of property owners whose ownership of exclusive areas constitute more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners, and according to Article 15 of the Regulations on Property Management (《物業管理條例》) the property owners' association elected at a general meeting is authorised to enter into a property management agreement with the elected property management company. However, according to the Regulations on Property Management (《物業管理條例》) and the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)), it is not mandatory for property owners' association to be established within a certain time frame.

Establishment of property owners' association is required to be conducted in a general meeting of property owners in accordance with the law. According to Article 18 of the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)), if one of the following conditions is met, the first general meeting of property owners (首次業主大會) shall be convened for all properties located in Henan Province namely, (i) more than 50% of the floor area of the properties have been sold and put into use; (ii) more than 30% of the owners have moved in; and (iii) property management company terminates the contract within the contract period or 90 days before the expiration of the preliminary property management agreement. If these conditions for setting up a first general meeting

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of the property owners are satisfied, either the developer, or 10 or more property owners^(Note) jointly, can apply for the establishment of a preparatory group for the first general meeting of property owners. The street office or the township people's government shall be responsible for organising the preparatory group for the first general meeting of property owners within 30 days after obtaining the above application, and shall, within 60 days after the establishment of the preparatory group for the first general meeting of property owners, organise and convene the first general meeting of property owner. Our Directors confirm that given the relatively low threshold, approximately 89.6% of the total GFA of our commercial properties under management met one of the above conditions for convening the first general meeting of property owners as at the Latest Practicable Date.

Note: As advised by our PRC Legal Advisors, our Company is not qualified to propose applications for the establishment of a preparatory group for the first general meeting of property owners (首次業主大會籌備組) and convening the first general meeting of property owners (首次業主大會).

A property owners' association shall in principle be elected at the first general meeting of property owners in accordance with the law and shall perform the duties empowered by the general meeting of property owners, implement the matters as decided at the general meeting of property owners, and be supervised by the property owners. The property owners' association shall, within 30 days as at the date of election, file its establishment with the township people's government or street office at the locality of the property and copy the filing to the property administration department of the district by the aforementioned government department.

Following establishment of property owners' association, property owners may appoint a property management company through the following steps:

- (a) convening the general meeting of property owners (業主大會) to consider the appointment of a property management company. Appointment of a property management company is approved by affirmative votes of property owners whose ownership of exclusive areas constitute more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners in accordance with Article 11 and Article 12 of the Regulations on Property Management (《物業管理條例》) (revised and promulgated on 19 March 2018);
- (b) signing a property management agreement between the elected property management company and the property owners' association (業主委員會); and
- (c) filing the elected property management agreement within fifteen days after the execution of such agreement to the property administration department of the district, township people's government and the street office in the locality of the property by the elected property management company.

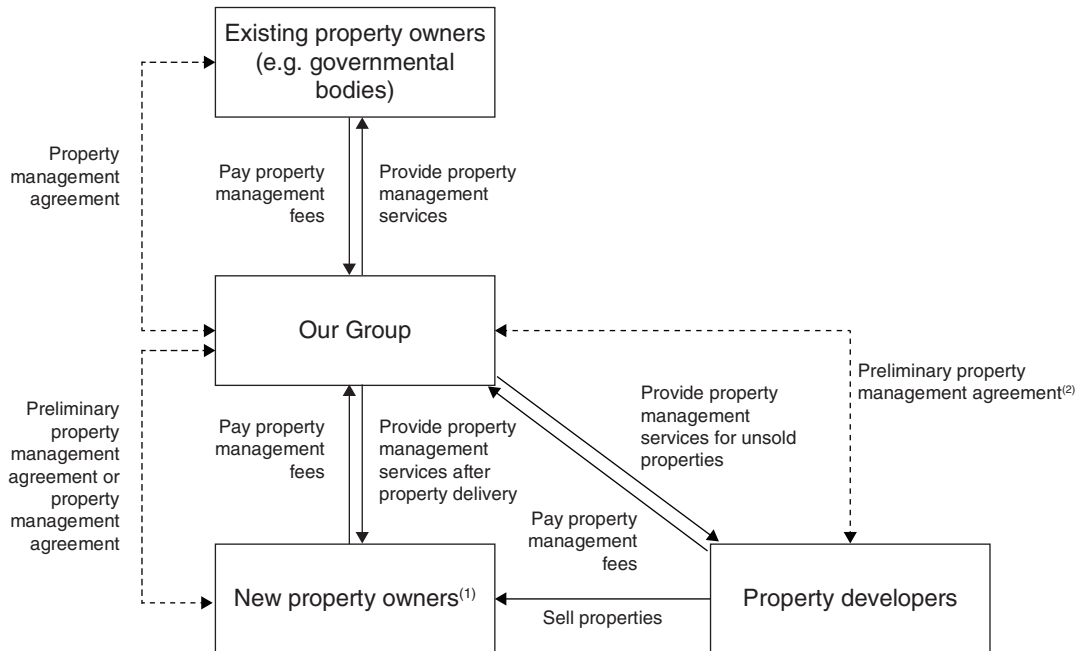
Our PRC Legal Advisors confirm that there is no legal hurdle or administrative burden for the property owners to convene the first general meeting of property owners or establish property owners' association provided the procedures mentioned above are duly followed and satisfied.

During the Track Record Period and up to the Latest Practicable Date, all of the non-residential properties under management had yet to form a property owners' association. As the preliminary property management agreements entered into between us and property developers normally run until the relevant property owners' association is established where a new property management agreement is entered into by a property management company and the relevant property owners' association, we believe there is a risk that after the convening of a general meeting of property owners for any property under management, they may not continue to engage us as the property management service

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provider. For details, please refer to the section headed “Risk factors – Risks relating to our business and industry – Termination or non-renewal of our preliminary property management agreements or property management agreements could have a material adverse effect on our business, financial position and results of operations” of this prospectus.

The following diagram illustrates our relationship with various contracting parties under our preliminary property management agreements or property management agreements:



Notes:

1. New property owners may convene a general meeting of property owners to retain or replace the existing property management service provider and authorise the property owners’ association to enter into a property management agreement.
2. As advised by our PRC Legal Advisors, a preliminary property management agreement entered into between a property developer and us before the properties are delivered to property owners is legally binding on the future property owners in accordance with the applicable PRC laws.

As advised by Savills, it is not common for property owners to establish property owners’ association in China. The number of property owners’ association formed as a percentage to total number of properties under management in China was not more than 15% in 2018. Our Group is not obligated to propose an application under the relevant regulations and the property developers (including Zensun Group) have not received any notice from the governmental authorities to set up a property owners’ association up to the Latest Practicable Date. As at the Latest Practicable Date, neither the property developers (including Zensun Group) nor the property owners had proposed the application for the establishment of a preparatory group for the first general meeting of property owners to set up a property owners’ association. Based on the result of survey for the first half of year 2019 conducted by an independent survey firm, our Directors believe that the owners’ satisfaction with our quality of property management service is high. For the aforementioned reasons, our Directors believe that the likelihood for the property owners to establish property owners’ association and convene general meeting to appoint new property management service provider to replace us is low.

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Tender process

According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) which came into effect on 1 January 2018, tender process is compulsorily required for bidding preliminary property management agreements for non-residential properties and residential properties. As for property management agreements, a public bidding process is also required for engaging property service providers for services over a designated amount in relation to non-residential properties owned by the PRC government agencies, institutions or organisations according to the Government Procurement Law of the PRC (《政府採購法》) and relevant laws and regulations. The designated amount may vary in different areas. According to the Circular of Zhengzhou Finance Department On The Government Centralized Procurement Catalogue and Standards from 2018 to 2019 (Zheng Cai Gou [2018] No. 2) (promulgated on 26 January 2018) (《鄭州市財政局關於印發鄭州市2018-2019年政府集中採購目錄及標準的通知》)(鄭財購[2018]2號), public bidding process shall be adopted for goods or services procured by the municipal government if the budget amount of any single or batch purchase order is RMB2.0 million or more.

During the Track Record Period, one of our agreements in relation to government procurement was renewed without undergoing the tender and bidding process. As advised by our PRC Legal Advisors, there are no specific laws and regulations in the PRC which set out administrative penalties on property management companies for failing to enter into property management agreements in relation to government procurement through a tender and bidding process. However, such property management agreement may be determined invalid by the local judicial authorities depending on the circumstances of the case. If this occurs, the relevant government entity may need to organise a tender and bidding process to select a property management service provider for the relevant property. In the case that we do not win the tender and bidding, we may not be able to continue our property management services for the relevant property and, as a result, our revenue and business may be negatively impacted. The following table sets out the details of the property management agreement in relation to government procurement for which tender and bidding process was required, but without undergoing tender and bidding process upon renewal:

Property	Property type	Contracted period	GFA for properties under management (sq.m.)	Revenue for the nine months ended 30 September 2019 (RMB'000)
Property A – Governmental building	Governmental building	From 7 April 2019 to 6 April 2020	31,311	1,341

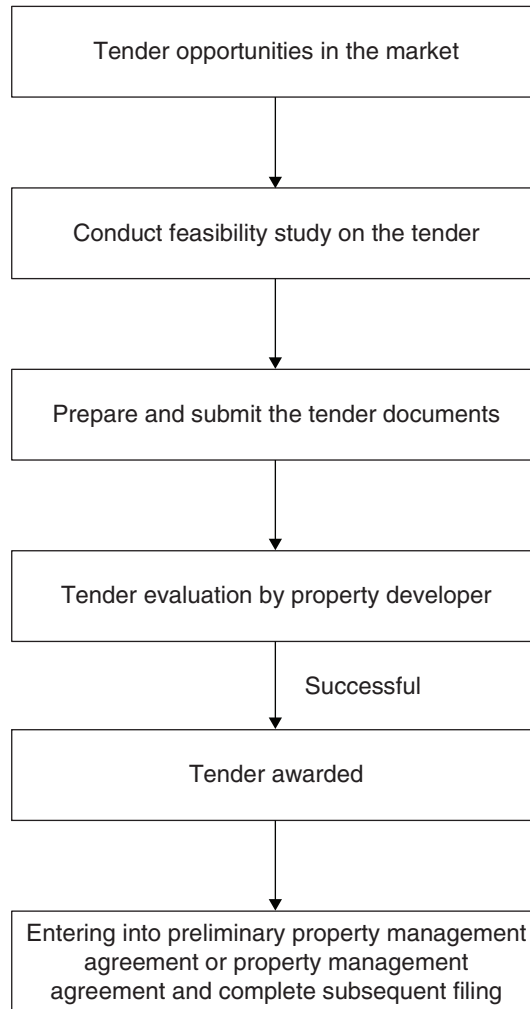
Save as disclosed in the table above, our Directors confirm that all of our preliminary property management agreements entered into after 1 January 2018 and property management agreements in relation to government procurement were obtained through tender and bidding process as required under the relevant laws and regulations.

Tender and bidding process begins with us becoming aware of a tender opportunity in the market. After identifying the opportunity, we would conduct a feasibility study on the tender, taking into account factors such as the size of the project, the resource and qualification requirement and the scope of services. Once the feasibility study is completed and approved by the management, we will start to prepare the tender documents and file the

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tender documents within the time frame. If we are successful in winning the tender, we will then enter into preliminary property management agreement or property management agreement with the counter party and complete the subsequent filings with the relevant government authorities.

The following flow chart shows the major steps involved in a tender and bidding process for us to engage in a new project:



The tender and bidding process is generally the same for properties developed by Zensun Group and independent property developers.

We believe our ranking and reputation in Zhengzhou and high customer satisfaction rating help us secure projects with Zensun Group and other potential customers. We actively explored and looked for projects with independent property developers/owners. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, we have submitted eight, 12, seven and 11 tenders for properties developed by independent property developers/owners, respectively. Our success rate for these tenders was nil, approximately 8.3%, 14.3% and 9.1%, respectively. During the Track Record Period, the success rates for our tenders for properties developed by Zensun Group were 100%.

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Our Directors believe that our Group was able to maintain a tender success rate of 100% for properties developed by Zensun Group during the Track Record Period and will maintain a high tender success rate for properties developed by Zensun Group in the future, mainly due to (i) our Group's ability to understand and satisfy the business needs of Zensun Group; (ii) the satisfying services provided by us in relation to the non-residential properties developed by Zensun Group; and (iii) our competitive tender price.

According to the development plan of Zensun Group as at the Latest Practicable Date, Zensun Group has already engaged us as property management service provider for all the non-residential properties which were under development and for which property management service provider has been engaged. The total GFA of non-residential properties under the development of Zensun Group that are currently in our Group's pipeline are approximately 0.6 million sq.m. to be delivered and for us to commence service for the year ending 31 December 2020 ("**2020 Pipeline Properties**") and approximately 0.6 million sq.m. to be delivered and for us to commence service for the year ending 31 December 2021, respectively. The two major properties under the 2020 Pipeline Properties (namely Zensun Huihang Mingzhu (正商匯航銘築) and Zensun Zichen Garden (正商紫辰園)), with a total GFA of approximately 0.4 million sq.m., are expected to be delivered by the end of 2020, therefore, only a small amount of revenue of approximately RMB4.8 million is expected to be derived from the 2020 Pipeline Properties for the year ending 31 December 2020. The revenue from pipeline properties (including the 2020 Pipeline Properties) is expected to increase to approximately RMB33.6 million for the year ending 31 December 2021 mainly due to the full year effect of revenue contributed by the 2020 Pipeline Properties. For details of these pipeline projects, please refer to the section headed "Business – Property management and value-added services – Portfolio of properties managed" of this prospectus. Apart from these pipeline projects, Zensun Group has a plan to develop, and we will prepare to bid for, Tonghang Business and Finance Centre Phase I (通航商務金融中心一期), a non-residential property located in Zhengzhou, Henan Province with a proposed GFA of approximately 74,300 sq.m. in 2020. Having considered our unique advantages as mentioned above, our Directors are of the view that our tender success rate for this potential project will be high.

Service fees and pricing policy

Property management services

The property management fees of all of our properties under management were charged on a lump-sum basis during the Track Record Period and most of our property management fees were directly proportional to GFA. We normally price our property management services based on a number of factors, including (i) the nature and location of the properties; (ii) scope and quality of the service required; (iii) expected operational costs (including staff costs, subcontracting costs and operational administrative expenses); (iv) local government pricing guidance on property management fees (if any); and (v) potential competitors' pricing. Our Directors confirm that our preliminary property management agreements signed with Zensun Group were on arm's length terms.

After the properties have been delivered to property owners, regardless of whether the properties are occupied, we will receive property management fees from owners of the properties which are generally calculated based on the property size in GFA and unit price per sq.m. Property developers are obliged to pay the property management fees for unsold properties which is typically calculated based on 50% of the property management fees of sold properties under management as lower level of property management services are provided for unsold properties. According to Savills, the range of the percentage of discounts on property management fee for unsold properties in Zhengzhou, Henan Province is from 50% to 70%, with an average of approximately 53%, and our practice of charging 50% discounted property management fees for unsold properties is in line with industry

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norm and is fair and reasonable. Under applicable PRC laws and regulations, if we would like to adjust the property management fees, we shall consult with the property owners' association and obtain the consent from the property owners' general meeting. If no general meeting of property owners is convened, the approval of the property owners who exclusively own more than half of the total construction area of the building and more than half of the total number of property owners shall be obtained. In practice, as it takes time to communicate with the property owners and to go through the necessary procedures to obtain their requisite approval, we would evaluate the situation on a case-by-case basis and generally would only propose to adjust the property management fees when we consider it necessary in conducting our business, such as when an extended scope of services is required by property owners or we need to improve the profitability of any potentially loss-making managed property, and there is no assurance that we would succeed in achieving such fee increases whenever needed.

According to the Savills Report, there has been a general increasing trend for the property management fees, and property management fee rates for newly built properties are generally higher than those for existing properties. During the Track Record Period, we generally targeted to provide our services for new properties rather than existing or dated properties. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our average property management fees for our properties under management remained relatively stable at approximately RMB6.1 per sq.m./month, RMB6.3 per sq.m./month, RMB6.1 per sq.m./month and RMB6.3 per sq.m./month, respectively. According to Savills, our average management fees for our properties under management during the Track Record Period were in line with the prevailing market rates.

Our Directors confirm that our Group did not propose to raise the property management fees during the Track Record Period since (i) the scope of services provided to these properties has not been extended and the property management fees for those properties were at prevailing market rates; (ii) the majority of non-residential properties managed by our Group are commercial buildings with building age of less than five years and our Group was able to keep repair and maintenance expenses at a minimum; and (iii) we have controlled our operating costs through enhancing our information technology and monitoring system to maintain our profitability during the Track Record Period. Therefore, there was no pressure to increase our property management fees to maintain our profitability.

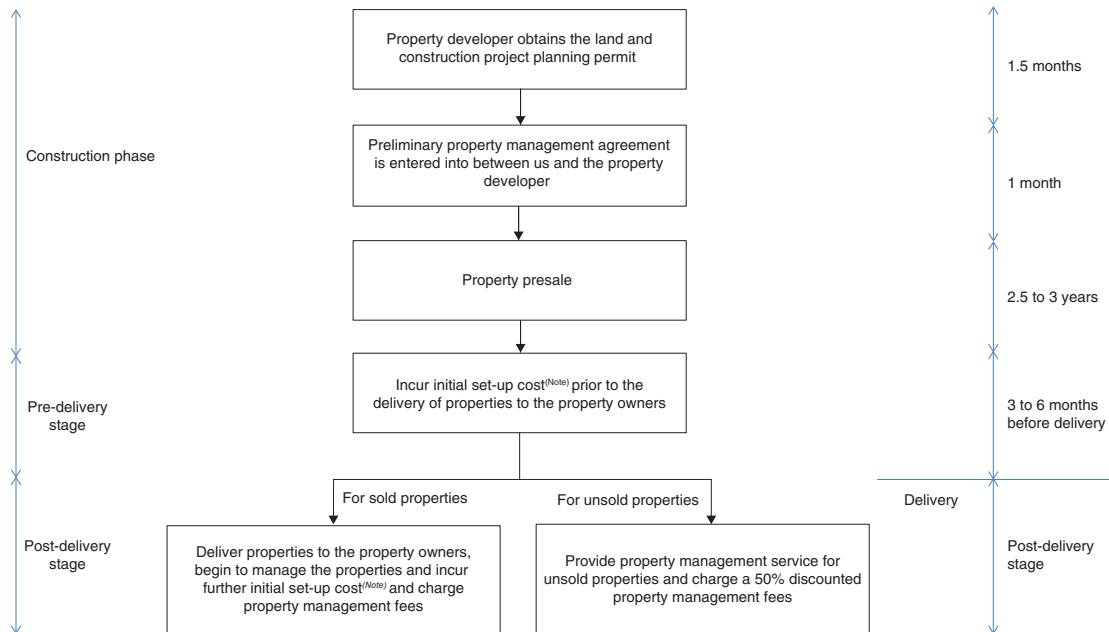
In any event for raising property management fees, according to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) the property management company shall consult with the property owners' association and obtain the consent from the general meeting of property owners if any adjustment to property management fees is necessary; if no property owners' association is established, the approval of the property owners who account for more than half of the total construction area of the building and more than half of the total number of property owners shall be obtained. As advised by Savills, it is not uncommon for property management companies to increase property management fees and during the Track Record Period there were companies which provided property management services for non-residential properties in Henan Province that had successfully adjusted their property management fees, as (i) the owners and potential tenants focus more on other aspects of the properties such as quality services; and (ii) the owners are less sensitive to increases of property management fees where the property management companies have a renowned reputation.

Notwithstanding that our Group did not raise the property management fees during the Track Record Period, our Directors confirm that there would not be any significant difficulty in adjusting our property management fees in the future on the basis that (i) there are generally relatively fewer property owners for non-residential properties; (ii) some of the owners of non-residential properties are corporate or individual investors who have low sensitivity to the level of property management fee as they focus more on other aspects of

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the properties such as occupancy rates, location and rent yield; and (iii) there are other property management companies that have successfully adjusted their property management fees in the past and we will consider the prevailing market rate before determining and finalising on any future adjustment of our property management fee.

The following diagram illustrates the typical timeline of our Group's property management projects:



Note: Initial set-up costs are expenses incurred in the pre-delivery stage (i.e. approximately three to six months before the properties are delivered to the property owners) and in the early stage of the property management, which mainly comprise labour costs and the relevant recruitment and training cost before actual delivery and costs associated with the pre-handover inspection and purchase of supplies for new property management projects, for example, (i) office equipment, such as safes, filing cabinets, computers, etc.; (ii) engineering materials, such as tool boxes, submersible pumps, electrician hammers, etc.; (iii) cleaning supplies, such as scrubbers and dust carts; and (iv) safety and protective equipment, such as gas masks, safety ropes, fire blankets, etc. Our Group could only charge property management fees after the properties are delivered to the property owners because the invitations to quote or tender from property developers contain only property management fees during the post-delivery stage and the initial set-up costs have been taken into account when we determine the price for our property management services, which is in line with the industry norm according to Savills.

Value-added services

In addition to property management services, we provide value-added services to property owners at our properties under management with an aim to improving our property owners' overall satisfaction. We normally price our value-added services based on a number of factors, including: (i) scope and quality of the service required; (ii) expected operational costs (including staff costs, material costs and operational administrative expenses); and (iii) potential competitors' pricing.

For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our revenue from property management and value-added services amounted to approximately RMB47.3 million, RMB76.1 million, RMB107.5 million and RMB111.8 million, respectively.

Payment of service fees

Property management services

Pursuant to our preliminary property management agreements and property management agreements, our customers are generally required to prepay property management fees to us and our property management fees are usually charged on a semi-annual basis, which are usually payable by the end of January and July every year. Some property owners are charged on a monthly or quarterly basis.

In order to minimise our credit risk, our general management and administration department is responsible for monitoring the payment for property management fees from our customers. When property management fees fall overdue, our property management department will deliver payment notices to our customers and follow up with payment reminders where necessary. If our customers continue to fail to settle the fees, we will try to negotiate with our customers and may issue demand letters to our customers, failing which we may resolve the dispute through court proceedings. We accept payment for property management fees by cash payment, bank transfer, online payment platforms or by our own mobile platform – “Ai Ban (愛辦)”.

Value-added services

Value-added service fees are generally charged when the related value-added services are rendered to our customers.

Salient terms of property management agreement

The salient terms of our preliminary property management agreement or property management agreement are summarised below:

- | | |
|------------------------------------|--|
| Scope of services | We generally provide property management services to public area and facilities, including but not limited to security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services. |
| Performance standards | The agreement sets out specific standards for the main services we provide and the frequency of certain types of services such as fire equipment examination, repair and maintenance and patrol. |
| Property management fees | The agreement sets out the amount of property management fees payable by the property developer/owner, which begin to accrue upon commencement of the property management services. |
- For new properties, the property developer is responsible for paying the property management fees for the units that remain unsold, which is typically calculated based on 50% of the property management fees per sq.m..

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Property developers' obligations	The property developer is primarily responsible for including the content of the preliminary property management agreement in the sale and purchase agreement of the property to be entered into with the property buyer, the execution of which implies commitment to comply with the preliminary property management agreement.
Term of service	The preliminary property management agreement typically expires only when the relevant property owners' association is established where a new property management agreement will be entered into to replace the preliminary property management agreement. The property management agreement normally has a term of one to two years.
Dispute resolution	Parties are typically required to resolve any contractual dispute through negotiations or mediation first, failing which the parties have the right to initiate arbitration or court proceedings.

Further, in the property sale and purchase agreements between the property developers and the prospective property owners, the prospective property owners would agree that they have been presented with, among other things, the preliminary property management agreement and have read in detail and understand the contents of, among other things, the preliminary property management agreement. As required under the applicable PRC laws and regulations, property owners should settle all outstanding property management fees prior to their selling of the properties.

Operation standardisation and automation

Our Directors are of the view that standardisation is one of the prerequisites for growing operating scale without sacrificing service quality. The increasing adoption of information technology could enhance service quality while reduce operating costs. To strengthen our competitiveness, reduce our reliance on labour and reduce our operating costs, we strive to enhance operation standardisation and automation. For instance, the adoption of centralised information systems enables the headquarters to monitor our properties under management in different areas to ensure the quality of property management services.

- **Operation standardisation** – We set up standardised service provision procedures for our properties under management. In relation to certain aspects of our business such as environmental protection and safety, we apply a consistent set of standards, which are in line with the industry practice or tailor-made to suit our needs. The application of these standards not only helps us standardise our services, but also strengthens our brand and reputation.
- **Automation** – Going forward, we are looking to automate our operations where possible, by deploying equipment such as facial recognition, carpark management systems, unmanned drones for patrolling the premises to minimise human error and apply consistent and reliable service procedures and standards. Automation also plays an important role in improving our service quality and cost control by reducing our reliance on labour force such as security guards.

Information technology and monitoring system

Our “Huiyan Technology Centre (慧眼科技中心)”

Our Group has set up an information technology operation centre, namely, “Huiyan Technology Centre” which is a centralised management platform providing 24-hour services to property owners and occupiers of our properties under management in the following areas:



1. *Call centre* – property owners or occupiers can file feedback, suggestions and complaints regarding our properties under management or request for repair and maintenance and cleaning services.
2. *Video surveillance monitoring system* – the video surveillance monitoring system captures images and videos that are stored and/or sent through the Internet to multiple platforms such as mobile phones and computers of our property management staff for security and surveillance purposes.
3. *Energy consumption monitoring system* – the energy consumption monitoring system monitors and analyses the energy consumption and efficiency of the properties we manage such that we can develop energy consumption control and management solutions.
4. *Security system* – we provide security services in ensuring that our properties under management are safe and secure, which includes access control into the building, patrolling within the building and its vicinity, video surveillance, carpark security, fire safety management, visitors registration and emergency response.
5. *Ai Ban mobile application* – registered users of our mobile application can access the various services, which includes, building access, public announcements, maintenance and repair and leasing etc. For details, please refer to the paragraph headed “Our “Ai Ban (愛辦)” mobile application” in this section.

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6. *Elevator monitoring system* – we provide a safe elevator riding experience by ensuring our escalators are in safe working condition. The elevator monitoring system allows us to monitor elevators remotely and provide immediate assistance to trapped passengers should an emergency situation occur.

Our Directors are of the view that the operation of “Huiyan Technology Centre” could enhance the effectiveness of our property management service and strengthen our cost control as it enables the headquarters to manage our properties under management in different areas remotely at the same time.

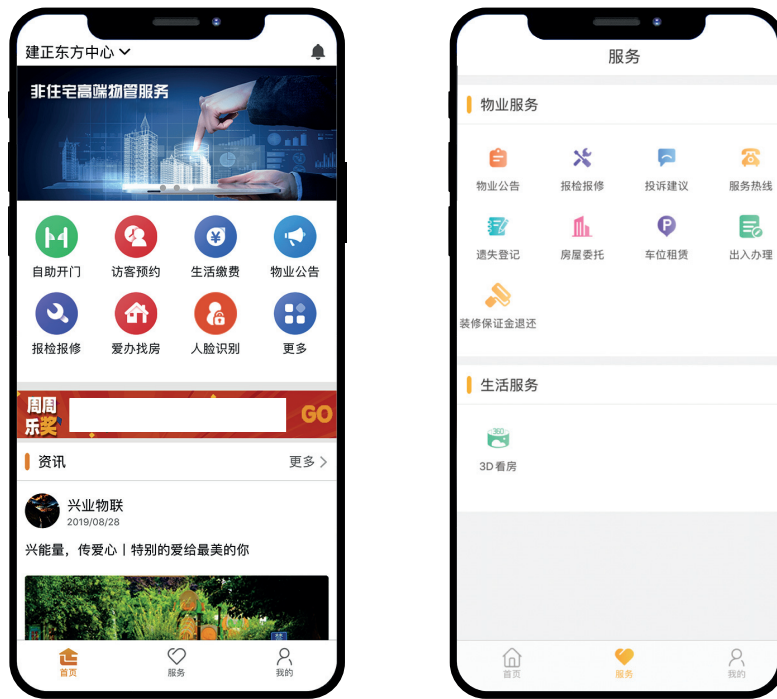
Our “Ai Ban (愛辦)” mobile application

As part of our operation standardisation and automation initiative, with the advancement in the Internet and mobile phone applications, we have developed a mobile phone application to enhance our customer experience and satisfaction level. We launched our “Ai Ban (愛辦)” mobile application in 2018. Since then, it has attracted an increasing number of registered users who browse and make use of the services provided therein. As at 30 September 2019, we had a total of 35,214 registered users.

Registered users of our mobile application are primarily property owners and occupiers of our properties under management. As registered users of our mobile application, they can access the following services:

- *Building access* – a registered user can generate a QR code within the mobile application for entering into the building via scanning the QR code at the entry barrier of the building for which the registered users have access to or arrange visitor registration for the entering into of the building.
- *Public announcements* – we can post public announcements on the mobile application which allows notices and announcements relating to different properties to be displayed.
- *Maintenance and repair* – the property owners or occupiers can use the mobile application to make an appointment for repair in their premises or notifying the management office for any repair for common area.
- *Leasing* – the mobile application facilitates the posting of advertisement by the property owners who wish to list their property(ies) for lease for free. Registered users who may be interested can provide their contact details to us through the mobile application and we will contact such users for follow up actions.
- *Others* – a registered user can also arrange the payment of property management fees as well as utilities bill using the mobile application.

The interface of our “Ai Ban (愛辦)” mobile application is shown below:



The aforementioned functionalities offered on our mobile application and operation automation have improved our service quality and users’ satisfaction, which we believe will enhance our brand image. According to the Administrative Measures on Internet Information Services (《互联网信息服务管理办法》), which was issued by the State Council with effect from 25 September 2000 and revised on 8 January 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet information services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet information services refer to free services of providing public, commonly shared information to web users through the Internet. Whether Internet information service is regarded as commercial or non-commercial depends on whether the provision of Internet information is free or charged. As advised by our PRC Legal Advisors, the business conducted by “Ai Ban” is regarded as “non-commercial Internet information services”, as we provide access to our maintenance and repair services and free community social networking services (such as free advertisement of property(ies) leasing to property owners) through mobile application. Customers pay for our maintenance and repair services either as part of the property management fees for common areas or value-added service fees for exclusive areas, but do not need to pay for the Internet information services provided by us. Revenue generated from the mobile application comes from sales of such repair and maintenance services instead of providing paid Internet information services. Although our mobile application did not directly generate revenue for us during the Track Record Period, we had been able to reduce our reliance on labour by utilising the automated technologies and better allocate our resources. For instance, by allowing the entry-exit by QR code, together with the installation of surveillance cameras, reception areas and etc., we can reduce the number of security guards without sacrificing the security of our buildings.

PROPERTY ENGINEERING SERVICES

In October 2017, we commenced our business in providing property developers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems in order to enhance the quality of the property management systems of our customers.

Security and surveillance systems – This is a CCTV system installed at property sites which connects to our property management system. The system is further connected to our “Huiyan Technology Centre (慧眼科技中心)” to enable real time monitoring.

Access control systems – This is a system comprising smart card system, entry-exit system and video intercom system for monitoring entry into and out of the premises. The images and videos captured will be sent through the internet to management center for real time monitoring. The smart-card system enables our users to open controlled doors and gain access to the premises with one card only. As the smart card system is linked to an alarm system, such that if a controlled door is forced opened, an alarm will set off. The smart card system is designed such that cardholders can only access designated floors using their smart cards. The entry-exit system enables authorised persons to open controlled doors and gain access to the premises by utilising facial recognition technology to ascertain user identity. The video intercom system also utilises the facial recognition technology to enable users to make and manage calls made at entrances of the premises.

Carpark management systems – This is a system comprising automatic licence plate detection and recognition systems installed at the entrances and exits of the car parks to identify vehicles such that only vehicles which have their licence plate details stored on the system can enter into the car park. Further, the duration of parking can be recorded through recognition of licence plates of vehicles at the entrance and exit through the system, and since licence plate numbers are bound with mobile and online payment platforms including WeChat Pay and Alipay, parking fees can be paid automatically via these platforms. Registered users will have ticketless experience to drive-in/drive-out the car parks without having to stop at the entrance and exit.

Construction site management systems – This is a system comprising facial recognition systems, smart card systems, CCTV systems and security cameras to keep track of the attendance of construction workers and ensure the security in construction sites, such as record of entry and exit time of workers. The facial recognition systems and smart card systems can help ensure only authorised personnel can enter into the construction sites. In the main entrances and surrounding areas, CCTV systems and security cameras are also installed for security and surveillance purposes. The images and videos captured will be sent through the internet to management center for real time monitoring.

We may be engaged by property developers at some stage during the property development to design and provide installation of the abovementioned systems.

In October 2017, we commenced our business in providing property developers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems. During the Track Record Period, we had undertaken 36 property engineering projects with an aggregated original contract sum of approximately RMB97.3 million (or original net of tax contract sum of approximately RMB88.8 million), and completed one property engineering project. All of these projects undertaken were from properties developed by Zensun Group. As our Group obtained these projects through tender process, our Directors confirm that our property engineering service

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agreements signed with Zensun Group were on arm's length terms. We adopt input method to recognise our revenue from property engineering projects based on the proportion of actual costs incurred relative to the estimated total costs of the projects. For the year ended 31 December 2018 and the nine months ended 30 September 2019, our revenue from property engineering services amounted to approximately RMB18.3 million and RMB14.8 million, respectively and substantially all of the revenue was generated from our projects in Zhengzhou, Henan Province. The following table sets out the movement of backlog of our property engineering projects during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September	
	2016		2017		2018		2019	
	Number of contract(s)	Contract value	Number of contract(s)	Contract value	Number of contract(s)	Contract value	Number of contract(s)	Contract value
	RMB'000		RMB'000		RMB'000		RMB'000	
As at 1 January	-	-	-	-	1	8,855	16	27,598
New contracts entered into ^(Note 1)	-	-	1	8,855	15	37,040	24	42,931
Contracts completed/Contract value recognised for the construction work ^(Note 2)	-	-	-	-	-	(18,297)	(1)	(14,776)
As at 31 December/30 September ^(Note 3)	-	-	1	8,855	16	27,598	39	55,753

Notes:

- Contract value of new contract entered into represents the original net of tax contract value of new contracts entered into during the relevant period. During the Track Record Period, we entered into 40 property engineering contracts, four of which were supplemental contracts, for the total number of 36 projects.
- Contract value recognised for the construction work represents the aggregate of revenue recognised based on the proportion of actual costs incurred relative to the estimated total costs of the projects under input method during the relevant period.
- Contract value as at 31 December/30 September represents the outstanding net of tax contract value of our existing contracts as at the relevant date. Outstanding net of tax contract value of projects in our backlog is calculated by deducting the cumulative revenue in respect of the existing and/or completed projects from the original net of tax contract value of the existing projects as at the relevant date.

Generally, our operation flow for property engineering services is as follows:

- Invitation to quote or tender: We may (i) receive an invitation to quote or tender from property developers; or (ii) consider new tender opportunities on information sharing platforms for public services, after which our tender department will review the tender documents and/or project requirements and prepare the tender documents or quotation. Once our customer decides to engage us, we will be informed of our acceptance by our customer. We will then enter into a formal agreement with our customer. For each of the year ended 31 December 2017 and 2018 and the nine months ended 30 September 2019, we have submitted one, 20 and 34 tenders for property engineering services, respectively. Our success rate for these tenders was 100%, approximately 70.0% and 61.8%, respectively, for the same periods.

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- Planning and design: We will (i) liaise with the customer in relation to the planning and design of the systems according to the specifications of our customers; (ii) prepare the schedule to be executed and the resources required at each stage; (iii) procure and arrange with suppliers for the required materials for the project; and (iv) negotiate on finalising the subcontract if necessary.
- Installation and completion: We will (i) monitor, inspect and test the quality of the systems upon completion of installation; (ii) arrange for customer inspection and acceptance; and (iii) arrange for payment, which is generally due upon achieving certain milestones or successful completion of the projects.
- After-sales services: We typically provide a warranty period of two years for our customers.

The fees to be charged for the property engineering services will be determined after arm's length negotiations and taking into account the complexity and the scope of service required by our customers.

Salient terms of property engineering agreement

The salient terms of our property engineering agreement are summarised as follows:

Scope of services	We provide professional services to property developers, including but not limited to design and installation of intercom and telecommunication systems, surveillance camera and intelligent security equipment.
Our responsibilities	We are typically responsible for providing services in accordance with the scope and standards prescribed in the relevant agreement and in compliance with all applicable laws and regulations.
Payment terms	Payment is generally due upon achieving certain milestones or successful completion of property engineering services.
Credit terms	Generally within 30 days from the day of billing.
Warranty terms and conditions . .	The warranty period for the services rendered is two years from the date of delivery of service. During the warranty period, we are required to attend the concerned property to conduct repair and maintenance within four hours upon receiving notice from property developers.
Rights and obligations of property developers	Property developers are responsible for paying the service fees. In addition, they are also responsible for assisting in the property engineering process in their best endeavours and to monitor and inspect the progress and quality of the services.

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No assignment	We may not assign our obligations to any third parties.
Termination	If we fail to provide the services in accordance with the scope and standards prescribed in the relevant agreement, we are required to take necessary rectification measures within the period required by the property developers. In the event that we fail to do so, property developers have the right to terminate the agreement.
Dispute resolution	Parties are typically required to resolve any contractual disputes through negotiations or mediation first, failing which the dispute is to be resolved through court proceedings.

SALES AND MARKETING

Our marketing development team is responsible for our overall marketing strategy and maintaining and strengthening our relationships with customers. We have taken sales and marketing measures that are tailored to the following categories of customers:

- *Zensun Group.* During the Track Record Period, most of our revenue from property management services and property engineering services was derived from properties developed by Zensun Group. We expect properties developed by Zensun Group to be our stable source of revenue in the future. We will maintain a long-term cooperative relationship with Zensun Group.
- *Independent property developers/owners.* We will continue to provide our existing customers (e.g. governmental bodies or independent property developers) with customised and quality services and maintain a good communication channel with them with a view to winning future property management or property engineering projects or extend our existing agreement upon expiration. At the same time, we will continue to closely monitor any available tenders in the open market and to bid for more property management or property engineering projects going forward. We will grant special awards and bonuses to encourage employees who actively assist in winning property management or property engineering projects or extending existing agreements with governmental bodies or independent property developers.

We have also established a WeChat platform that allows us to promote our brand and services through providing users of the platform with information as to (i) the number of awards and recognition we have received; and (ii) the property management services we provide. This platform has a function which enables users to access the buildings managed by us after registration, which in turn, enables us to promote use of this platform.

OUR CUSTOMERS

Our Group's customers mainly include property developers, property owners and governmental bodies. During the Track Record Period, all of our customers were based in Henan Province, and other than Zensun Group and Mr. Zhu Jie, Mr. Wang Jinhua and Mr. Liu Zhenqiang and/or their associates, all of our customers were Independent Third Parties. For further information, please refer to the section headed "Connected transactions" in this prospectus.

During the Track Record Period, there had been no dispute with our customers which had a material adverse impact on our business operations.

BUSINESS

Five largest customers

During the Track Record Period, our revenue attributable to the five largest customers accounted for approximately 20.7%, 22.2%, 38.5% and 34.9% of our total revenue, respectively, and our revenue attributable to the largest customer accounted for approximately 14.5%, 13.1%, 31.0%, and 27.1% of our total revenue, respectively. In light of this, our Directors are of the view that our Group has no reliance on any single customer during the Track Record Period.

The following tables set out the profile of our five largest customers for the Track Record Period:

For the year ended 31 December 2016

No.	Names of customer	Principal business/activities	Business relationship since	Types of work provided	Credit term	Payment method	Revenue	% of total revenue
							(RMB'000)	
1 ..	Zensun Group	Property development	1999	Property management and value-added services	N/A ^(Note 1)	Bank transfer	6,833	14.5%
2 ..	Shaanxi Xinqi Asset Management Consulting Co., Ltd.* (陝西鑫琦資產管理諮詢有限公司)	Asset management consulting, investment management consulting, financial advisory, real estate agency and advisory	2015	Property management and value-added services	N/A ^(Note 1)	Bank transfer	1,321	2.8%
3 ..	Customer A (Note 2)	Governmental body	2016	Property management	Within 1 month	Bank transfer	566	1.2%
4 ..	Customer B	Education	2015	Property management	N/A	Bank transfer	552	1.2%
5 ..	Customer C	Investment management, consulting, financial management and technical support	2015	Property management and value-added services	N/A ^(Note 1)	Bank transfer	478	1.0%
Total							<u>9,750</u>	<u>20.7%</u>

For the year ended 31 December 2017

No.	Names of customer	Principal business/activities	Business relationship since	Types of work provided	Credit term	Payment method	Revenue	% of total revenue
							(RMB'000)	
1 ..	Zensun Group	Property development	1999	Property management and value-added services	N/A ^(Note 1)	Bank transfer	9,993	13.1%
2 ..	Customer D	Public institution	2017	Property management	N/A ^(Note 1)	Bank transfer	3,553	4.7%
3 ..	Shaanxi Xinqi Asset Management Consulting Co., Ltd.* (陝西鑫琦資產管理諮詢有限公司)	Asset management consulting, investment management consulting, financial advisory, real estate agency and advisory	2015	Property management and value-added services	N/A ^(Note 1)	Bank transfer	1,793	2.4%
4 ..	Customer A (Note 2)	Governmental body	2016	Property management	Within 1 month	Bank transfer	889	1.2%
5 ..	Customer B	Education	2015	Property management	N/A	Bank transfer	575	0.8%
Total							<u>16,803</u>	<u>22.2%</u>

BUSINESS

For the year ended 31 December 2018

No.	Names of customer	Principal business/activities	Business relationship since	Types of work provided	Credit term	Payment method	Revenue (RMB'000)	% of total revenue
1...	Zensun Group	Property development	1999	Property management; property engineering services; and ancillary food supply services	Property management services: N/A <i>(Note 1)</i> Property engineering services: Within 1 month Ancillary food supply services: Within 1 month	Bank transfer	40,604	31.0%
2...	Customer D	Public institution	2017	Property management	Within 1 month	Bank transfer	6,081	4.6%
3...	Shaanxi Xinqi Asset Management Consulting Co., Ltd.* (陝西鑫琦資產管理諮詢有限公司)	Assets management consulting, investment management consulting, financial advisory, real estate agency and advisory	2015	Property management	N/A <i>(Note 1)</i>	Bank transfer	1,826	1.4%
4...	Henan Wisdom Island Investment Co., Ltd.* (河南智慧島投資有限公司)	Industrial park real estate development and investment, municipal infrastructure development and investment and incubator for high-tech companies	2017	Property management	N/A <i>(Note 1)</i>	Bank transfer	1,062	0.8%
5...	Customer A <i>(Note 2)</i>	Governmental body	2016	Property management	Within 1 month	Bank transfer	948	0.7%
Total							50,521	38.5%

BUSINESS

For the nine months ended 30 September 2019

No.	Names of customer	Principal business/activities	Business relationship since	Types of work provided	Credit term	Payment method	Revenue (RMB'000)	% of total revenue
1...	Zensun Group	Property development	1999	Property management and value-added services; property engineering services; and ancillary food supply services	Property management and value-added services: N/A ^(Note 1) Property engineering services: Within 1 month Ancillary food supply services: Within 1 month	Bank transfer	34,437	27.1%
2...	Customer D	Public institution	2017	Property management and ancillary food supply services	Within 1 month	Bank transfer	5,245	4.1%
3...	Henan Wisdom Island Investment Co., Ltd.* (河南智慧島投資有限公司)	Industrial park real estate development and investment, municipal infrastructure development and investment and incubator for high-tech companies	2017	Property management and value-added services	N/A ^(Note 1)	Bank transfer	1,801	1.4%
4...	Customer A ^(Note 2)	Governmental body	2016	Property management	Within 1 month	Bank transfer	1,587	1.2%
5...	Shaanxi Xinqi Asset Management Consulting Co., Ltd.* (陝西鑫琦資產管理諮詢有限公司)	Asset management consulting, investment management consulting, financial advisory, real estate agency and advisory	2015	Property management and value-added services	N/A ^(Note 1)	Bank transfer	1,459	1.1%
Total							44,529	34.9%

Notes:

- 1 Payment in advance.
- 2 Customer A comprises the governmental body and its sub-division. Our Directors confirm that different names under the property management agreements entered into during the Track Record Period represent the same customer.

Our Directors confirmed that, (i) other than disclosed otherwise in this prospectus during the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder, which to the knowledge of our Directors owned more than 5% of the share capital of our Company has any interest in any of our five largest customers during the Track Record Period; and (ii) none of our five largest customers during the Track Record Period was also a supplier of our Group.

SUPPLIERS AND SUBCONTRACTORS

Our suppliers comprise mainly (i) subcontractors for provision of labour intensive and technical services for our property management and value-added services; (ii) suppliers of tools for our property management and value-added services; (iii) suppliers of materials for our property engineering services; and (iv) subcontractors for provision of labour intensive and technical services for our property engineering services. All of our suppliers were located in the PRC. We have established a long-term and stable working relationship with our suppliers and some of our suppliers have more than five years of business relationship with us. During the Track Record Period, we had not experienced any significant disruption in the provision of services or materials by our suppliers.

We maintain a list of approved suppliers based on our assessment of factors including their financial strength, past performance, service quality and industry reputation etc. As at the Latest Practicable Date, we had 41 qualified suppliers on our list of approved suppliers. We typically engage our suppliers through competitive bidding processes, whereby suitable suppliers are selected from the list of suppliers and invited for bids. Generally, at least three suppliers on the list for each service are invited for the bids. The submitted bids are preliminarily considered by the review and adjudication committee taking into account a wide range of factors, such as the price quotations, previous cooperation experience and our valuation of their performance, after which the selected bids are submitted to our headquarters for final review and approval.

Once a selected supplier commences to provide the contracted services, we regularly monitor and evaluate its performance. Our supplier's record will also be updated from time to time based on such evaluations. In the event of repeated substandard performances or services provided, our suppliers will be terminated and removed from the list of approved suppliers. For details of our Group's quality control measures, please refer to the paragraph headed "Quality control" in this section.

Subcontracting

Our Group subcontracts certain labour intensive and technical services, for property management services, mainly including security, cleaning, greening and gardening, repair and maintenance services, and for property engineering services, mainly including labour intensive services for security and surveillance systems for access control systems and carpark management systems and technical services for construction site management systems. Subcontracting not only allows us to focus on project management, but also enables us to lower our operating costs, enhance management efficiency, and improve service quality resulting in enhancement of our profitability. According to the Savills Report, subcontracting labour intensive services and specialised or technical services to third-party subcontractors is in line with the industry norm. For each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, the subcontracting fees paid to our subcontractors amounted to approximately RMB14.7 million, RMB22.1 million, RMB32.2 million and RMB38.4 million, representing approximately 58.9%, 58.3%, 46.8% and 55.9% of our cost of sales, respectively.

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Salient terms of subcontracting agreement

We generally engage subcontractors on a project basis. We enter into a subcontracting agreement with our independent subcontractor on normal commercial terms. The salient terms of our typical subcontracting agreements for property management services include the followings:

Term	A subcontracting agreement typically has a term of one year and may be renewed upon mutual consent.
Our responsibilities	We are typically responsible for providing on-site staff dispatched by subcontractors with necessary working space and facilities.
Obligations of subcontractors	Subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the relevant subcontracting agreements and in compliance with all applicable laws and regulations. Subcontractors are required to manage their staff providing the contracted services and there is no employment relationship between us and the staff of our subcontractors.
Payment terms	Subcontracting fees are typically payable monthly.
Risk allocation	Subcontractors are responsible for any personal injury of their staff in the course of providing the contracted services. Subcontractors are also required to pay all wages, social insurance and housing provident funds for their staff in accordance with PRC laws and regulations.
No assignment	Subcontractors may not assign or subcontract their obligations to any third party without our prior written consent.
Termination	If subcontractors fail to enter into the contracted services with their staff or fail to pay wages to their staff on time, subcontractors are required to take necessary rectification measures within the period required by us. In the event that they fail to do so, we have the right to claim damages or terminate the agreement with immediate effect. Subcontractors can terminate the subcontracting agreement if we fail to pay the subcontracting fee within 10 working days from the due date without valid reasons.
Dispute resolution	Parties are typically required to resolve any contractual disputes through negotiations first, failing which either party has the right to initiate court proceedings.

BUSINESS

The salient terms of our typical subcontracting agreements for property engineering services include the followings:

- | | |
|-----------------------------------|---|
| Term | A subcontracting agreement typically has a term which is dependent upon the completion date of the project. |
| Our responsibilities | We are typically responsible for providing the necessary facilities and assisting subcontractors to coordinate with other parties. |
| Payment terms | Subcontracting fees are typically payable in tranches depending on progress of the contracted services. |
| Obligations of subcontractors ... | Subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the relevant subcontracting agreements and in compliance with all applicable laws and regulations. |
| Risk allocation | Subcontractors are required to provide personal injury insurance for their staff in accordance with PRC laws and regulations. |
| No assignment | Subcontractors may not assign or subcontract their obligations to any third party without our prior consent. |
| Termination | If subcontractors fail to, among other things, satisfy or comply with our suggested construction period, number of construction workers and requirements on quality or is in serious breach of the production safety and construction specification and the relevant laws and regulations, we have the right to terminate the subcontracting agreement. |
| Dispute resolution | Parties are typically required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings. |

BUSINESS

Five largest suppliers

During the Track Record Period, all of our five largest suppliers are Independent Third Parties and purchases from them collectively accounted for approximately 86.7%, 89.0%, 70.3% and 75.4%, respectively of our total purchased amount for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, and purchases from the largest of which accounted for approximately 79.7%, 61.8%, 54.0%, and 56.6%, respectively of our total purchased amount for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019. Our Directors confirm that our Group placed no reliance on our largest supplier because substitute suppliers with comparable quality and price are readily available. As advised by Savills, there are more than 7,000 companies providing labour subcontracting services in Henan Province, and therefore it would not be difficult for our Group to find substitute suppliers with comparable quality and price. The following tables set out the profile of our five largest suppliers for the Track Record Period:

For the year ended 31 December 2016

No.	Name of supplier	Principal business/activities	Business relationship since	Service provided	Credit term	Payment method	Purchased amount	% of total purchased amount
							(RMB'000)	
1 ..	Supplier A	Subcontractor, human resources management advisory	2015	Subcontractor and despatch – cleaning service	Within 1 month	Bank transfer	14,905	79.7%
2 ..	Jiajia Group <i>(Note)</i>	Supplier of office equipment, cleaning products etc.	2015	Cleaning product	Within 45 days	Bank transfer	565	3.0%
3 ..	Zhengzhou Dali Cargo Handling Co., Ltd* (鄭州達力貨物裝卸有限公司)	Garbage clearance and cleaning service provider	2016	Subcontractor – garbage clearance	Within 1 month	Bank transfer	379	2.0%
4 ..	Henan Hongjie Property Service Co., Ltd.* (河南宏潔物業服務有限公司)	Property management service provider	2015	Subcontractor – cleaning service	Within 1 month	Bank transfer	193	1.0%
5 ..	Supplier B	Specialised stone maintenance provider	2015	Subcontractor – stone maintenance services	Within 1 month	Bank transfer	186	1.0%
Total							16,228	86.7%

BUSINESS

For the year ended 31 December 2017

No.	Name of supplier	Principal business/activities	Business relationship since	Service provided	Credit term	Payment method	Purchased amount	% of total purchased amount
							(RMB'000)	
1 ..	Henan Jingrun Human Resources Services Co., Ltd.* (河南京潤人力資源服務有限公司)	Subcontractor, human resources services, business advisory	2017	Subcontractor – cleaning, greening and gardening services	N/A	Bank transfer	17,193	61.8%
2 ..	Supplier A	Subcontractor, human resources management advisory	2015	Subcontractor – cleaning service	Within 1 month	Bank transfer	3,889	14.0%
3 ..	Zhengzhou Jindun Security Co., Ltd.* (鄭州市金盾保安有限公司)	Security service provider	2017	Subcontractor – security service	N/A	Bank transfer	2,186	7.9%
4 ..	Zhengzhou Jia Jia Cheng Commerce and Trade Co., Ltd.* (鄭州嘉嘉誠商貿有限公司)	Supplier of office equipment, cleaning products etc.	2015	Cleaning product	Within 45 days	Bank transfer	985	3.5%
5 ..	Zhengzhou Dali Cargo Handling Co., Ltd.* (鄭州達力貨物裝卸有限公司)	Garbage clearance and cleaning service provider	2016	Subcontractor – garbage clearance	Within 1 month	Bank transfer	489	1.8%
Total							<u>24,742</u>	<u>89.0%</u>

For the year ended 31 December 2018

No.	Name of supplier	Principal business/activities	Business relationship since	Service provided	Credit term	Payment method	Purchased amount	% of total purchased amount
							(RMB'000)	
1 ..	Henan Jingrun Human Resources Services Co., Ltd.* (河南京潤人力資源服務有限公司)	Subcontractor, human resources services, business advisory	2017	Subcontractor – cleaning, greening and gardening services	N/A	Bank transfer	31,320	54.0%
2 ..	Henan Hongzhuo Electronics Technology Co., Ltd.* (河南宏卓電子科技有限公司)	Computer software development, technical advisory, engineering of security and protection system	2018	Intelligent engineering equipment and material, and research and development	Within 1 month	Bank transfer	2,894	5.0%
3 ..	Supplier C	Agricultural products provider	2018	Agricultural products	Within 1 month	Bank transfer	2,475	4.3%
4 ..	Henan Linrun Electronics Technology Co., Ltd.* (河南林潤電子科技有限公司)	Computer software development and provider of electronic devices	2018	Intelligent engineering equipment and material	Within 1 month	Bank transfer	2,138	3.7%
5 ..	Zhengzhou Jia Jia Cheng Commerce and Trade Co., Ltd.* (鄭州嘉嘉誠商貿有限公司)	Supplier of office equipment, cleaning products etc.	2015	Cleaning product	Within 45 days	Bank transfer	1,922	3.3%
Total							<u>40,749</u>	<u>70.3%</u>

BUSINESS

For the nine months ended 30 September 2019

No.	Name of supplier	Principal business/activities	Business relationship since	Service provided	Credit term	Payment method	Purchased amount	% of total purchased amount
							(RMB'000)	
1 ..	Henan Jingrun Human Resources Services Co., Ltd.* (河南京潤人力資源服務有限公司)	Subcontractor, human resources services, business advisory	2017	Subcontractor – cleaning, greening and gardening services	N/A	Bank transfer	31,843	56.6%
2 ..	Henan Zhenwei Safety Technology Development Co., Ltd.* (河南省振威安全技術發展有限公司)	Safety precaution system provider	2019	Engineering equipment and material	Within 1 month	Bank transfer	3,860	6.9%
3 ..	Shandong Jinguang Group Co., Ltd.* (山東金光集團有限公司)	Provider of air-conditioning, pipeline and other equipment	2018	Subcontractor – repair and maintenance service	Within 1 month	Bank transfer	2,460	4.4%
4 ..	Supplier D	Security service provider	2018	Subcontractor – security service	N/A	Bank transfer	2,303	4.1%
5 ..	Guangdong Anjubao Digital Technology Co., Ltd.* (廣東安居寶數碼科技股份有限公司)	Provider of computer and communication and other electronic devices	2018	Engineering equipment and material	Within 3 months	Bank transfer	1,890	3.4%
Total							42,356	75.4%

Note: Jiajia Group comprises (i) Zhengzhou Jia Jia Cheng Commerce and Trade Co., Ltd.* (鄭州嘉嘉誠商貿有限公司); and (ii) Zhengzhou Jinshui District Hengsheng Cleaning Products Trading Company* (鄭州市金水區恒生清潔用品商行)

Our Directors confirmed that, (i) other than disclosed otherwise in this prospectus during the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder, which to the knowledge of our Directors owned more than 5% of the share capital of our Company, had any interest in any of our five largest suppliers during the Track Record Period; and (ii) except for Henan Hongzhuo Electronics Technology Co., Ltd.* (河南宏卓電子科技有限公司) (“**Henan Hongzhuo**”), none of our five largest suppliers during the Track Record Period was also a customer of our Group.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Henan Hongzhuo, which was one of the top five suppliers of our Group during the Track Record Period, was also a customer of our Group for property management and value-added services for the two years ended 31 December 2018 and the nine months ended 30 September 2019. The relevant revenue amounted to approximately RMB47,000, RMB70,000 and RMB36,000, respectively, and the gross profit margin of such sales was approximately 54.4%, 48.8% and 50.6%, respectively, for the same periods.

INVENTORY CONTROL

Our Group normally places orders with its suppliers upon acceptance of customers' orders. Our Group maintains a minimal level of inventory which are commonly used for implementation of our property engineering projects in order to minimise its risk of exposure to obsolete stock as the lifecycle of certain hardware and components is normally short and help reduce our working capital requirement.

QUALITY CONTROL

Quality control over our property management services

We place great emphasis on the quality of services we provide, and in order to ensure the quality standard for our property management services, we have established a system of quality control policies and procedures.

Our project management department is responsible for overseeing all of our properties under management and conducts on-site inspection. For example, we require our property management staff to complete inspection checklists after each round of inspections to monitor and record the condition of the properties. Our project management department also issues a monthly report in relation to any material defaults or incidents and may require the project managers to follow-up with important issues.

At the project level, we have assigned a project manager in each of our projects, who is responsible for monitoring the quality and progress of our projects on a daily basis. Our project managers will report outstanding issues to our project management department for instruction and advice.

In recognition of our efforts in maintaining international standards of quality management system, we have been accredited with the ISO9001:2015 (revised from ISO9001:2008) International Quality Management System Standard from China Quality Mark Certification Group, ISO14001:2015 Environmental Management Certification and OHSAS 18001:2007 Occupational Health and Safety Management System Certification in recognition of our service quality.

Quality control over property engineering services

We also place great emphasis on the quality of property engineering services we provide and we have established property engineering quality control procedures and management system at various stages of our construction work process.

Our property engineering department is responsible for overseeing and supervising the quality of our property engineering projects. For example, prior to the project implementation stage, we require our property engineering staff to review the construction design, schedule, materials and equipment, etc. We also conduct inspections to ensure construction management, safety and quality assurance measures have been implemented. During the construction period, we perform regular quality inspections on the construction work to ensure such works comply with the contractual requirements and technical specification. Upon completion of projects, we conduct quality control inspections and evaluations to ensure the control levels are in accordance with the project specifications.

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Quality control over subcontractors

We typically provide subcontractors with detailed standards for the quality of services to be provided and provide our subcontractors with relevant training guidelines to ensure that they understand our standards. In addition, our property management and property engineering staff regularly performs inspections on the buildings, public areas and project sites. We may require our subcontractors to take necessary rectification measures when their services do not meet the agreed standards. For property management projects, we may also conduct surveys among property owners or occupiers regarding the quality of services and will take into account of the feedbacks from our property owners or occupiers when deciding whether to renew the subcontracting agreement with various subcontractors.

Feedback and complaint management

During the ordinary course of our business operations, we receive feedbacks, suggestions and complaints from property owners and occupiers from time to time regarding our services. We encourage property owners or occupiers to reach out to our property management staff face-to-face or through telephone. For complaints received, our property management staff is generally required to respond within one hour. Depending on the nature and seriousness of the complaint, the responsible staff will attend the concerned property to resolve the issue when necessary. Pursuant to the internal control policies, all complaints are recorded in the “complaint log-book” and the handling progress is reviewed and monitored by our project management staff regularly. These procedures ensure that all complaints are handled and resolved in a timely manner in order to uphold the quality of our service.

EMPLOYMENT

Our Directors believe that human resources are one of the core assets in the property management industry, so it is crucial for our Group to have measures for motivating its employees to contribute to our future growth. We recruit personnel from the open market, mainly based on the following factors, including their working experience, technical knowledge, educational background and our business development plans. We offer comprehensive compensation to our employees, including salary, bonuses and cash subsidies, and we also provide on-the-job training to our employees. We generally determine employees’ compensation based on their qualification, position, seniority and performance. Our Directors believe that our remuneration package is competitive in the market. During the Track Record Period, we had not experienced any material difficulties in recruiting or retaining experienced staff.

As at 31 December 2018 and the Latest Practicable Date, we employed a total of 230 and 339 full-time employees, respectively. All of our employees are located in Henan Province. A breakdown of our employees by function as at 31 December 2018 and the Latest Practicable Date is set out below:

	As at	
	31 December 2018	Latest Practicable Date
General management and administration	19	25
Project management		
– Property management	151	242
– Property engineering	19	23
General maintenance	12	23
Accounting and finance	7	7
Strategic planning	15	9
Marketing development	7	10
Total	230	339

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As required under the PRC law and regulations, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including pension, medical, maternity, work-related injury and unemployment benefit plans. We are required to make contributions to the employee benefit plans at specified percentages of salaries.

As at the Latest Practicable Date, our employees did not form any labour unions. Our Directors believe that we maintain a good working relationship with our employees. Our Directors confirm that (i) we did not have any material labour disputes; and (ii) had not experienced any material labour shortages during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

The total insurance cost incurred by us amounted to approximately RMB1.3 million, RMB1.4 million, RMB2.3 million and RMB2.3 million, respectively for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019. During the Track Record Period, our Group did not make full contribution to the social insurance for all employees as required under the relevant PRC regulations. For details, please refer to the paragraph headed “Legal proceedings and compliance” in this section. Our Directors further confirm that we did not experience any material insurance disputes or claims during the Track Record Period. As advised by Savills, our insurance coverage is in line with the industry practice in the PRC.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

Our Group is engaged in the provision of property management and value-added services and property engineering services in Henan Province, and substantially all of our revenue is generated from customers located in Zhengzhou, Henan Province during the Track Record Period. Since the outbreak of COVID-19, the local government has introduced a series of measures in order to prevent and control the pneumonia epidemic. According to the Public Notice of the Leading Office of Zhengzhou on the Prevention and Control of Infection Caused by Novel Coronavirus (No. 4) (《鄭州市新型冠狀病毒感染的肺炎疫情防控領導小組辦公室通告》(第4號)) (“**Notice No. 4**”), the local government of Zhengzhou has ordered the resumption of work for community-necessities services, including property management services, on or before 9 February 2020 to help prevent and control the outbreak of COVID-19. According to the Public Notice of the Leading Office of Zhengzhou on the Prevention and Control of Infection Caused by Novel Coronavirus (No. 10) (《鄭州市新型冠狀病毒感染的肺炎疫情防控領導小組辦公室通告》(第10號)), construction works for general livelihood projects (including resettlement housing projects) are ordered to resume work on 6 March 2020 and other construction works (including real estate projects) are ordered to resume work on 16 March 2020.

Impact on our business operation

In relation to property management and value-added services, our Directors confirm that (i) prior arrangement had been made in ensuring sufficient workforce available for our business operation during and after the Chinese New Year and that all of our frontline staff have resumed work on or before 9 February 2020 in accordance with Notice No. 4; and (ii) the major suppliers of our Group are subcontractors which provide services such as security service, cleaning service, garbage clearance service and greening and gardening service, and the workers assigned by our subcontractors to our properties under management have resumed work on or before 9 February 2020. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not encountered and is not expected to experience any shortage in labour or disruption to the supply of subcontracting services or materials. Further, more than half of the property management

BUSINESS

fees payable to our Group for services rendered/to be rendered in January to June 2020 have already been paid in advance in December 2019 and January 2020, which puts our Group in a better financial position.

In relation to our property engineering services, our Directors confirm that (i) we should not have difficulties in meeting the milestone or completion date of projects despite the postponement of commencement date or delay in schedule for our property engineering projects as works is targeted to commence in early March 2020, given that employees of our Group are available to resume work on an accelerated schedule; and (ii) as confirmed by Zensun Group, it permits our Group to postpone the completion date of our property engineering projects under the current outbreak of COVID-19.

Further, as part of our Group's contingency plan due to the outbreak of COVID-19, our Directors confirm that there are sufficient hygiene measures in place. Please refer to the paragraph headed "Social health, safety and environmental matters" in this section.

Due to the abovementioned reasons, our Directors confirm that our Group is able to discharge the obligations under all existing property management agreements and property engineering agreements, and therefore there is no financial damage to our Group or impact on our long-term relationship with our customers.

Impact on our pipeline projects

Our Directors confirm that, as at the Latest Practicable Date, Zensun Group, our Group's major customer for property management services and property engineering services, does not expect the delivery date of the pipeline properties developed by them to be delayed by a large extent as a result of the outbreak of COVID-19, since the main body of the majority of the pipeline properties have completed construction. In light of this, our Directors do not expect the revenue to be generated from pipeline projects to be materially affected.

Impact on our financial condition

Our Directors confirm that our Group has sufficient cash and cash equivalents, which amounted to approximately RMB157.3 million (equivalent to almost two times of the total expenses comprising cost of sales, administrative expenses, selling and marketing expenses and finance costs incurred for the year ended 31 December 2018) as at the Latest Practicable Date. Therefore, in the unlikely event that the operation of our Group is temporarily suspended, our Group has sufficient working capital to satisfy our requirement.

In light of the above, our Directors confirm that the outbreak of COVID-19 does not have a material adverse impact on our Group's continuing business operation and sustainability as (i) the property management industry is an industry involving community-necessities services; (ii) the nature of property management industry is labour intensive and the majority of our employees and workers of our subcontractors have resumed work; (iii) our Group is able to discharge our obligations under all existing property management agreements and property engineering agreements; (iv) our Group and Zensun Group do not expect the commencement date for the property management service of the pipeline properties to be materially delayed; and (v) our Group has sufficient cash and cash equivalents to maintain our operation. Our Directors further confirm that our Group will utilise the net proceeds from the Global Offering in accordance with the section headed "Future plans and use of proceeds" of this prospectus.

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SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws and regulations in relation to labour, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the national occupational safety and sanitation rules and standards, and provide employees with workplace safety training on a regular basis.

In view of the outbreak of COVID-19 in the PRC, we have adopted a contingency plan for pandemic outbreak in January 2020 whereby our employees and subcontractors shall take all practicable steps in our properties under management to maintain a hygienic environment in the interest of all personnel who may be present including property owners, occupiers, visitors and our employees and subcontractors. Our Directors confirmed that the contingency plan includes the following measures to be taken in our properties under management, which include:

- temperature screening at entry of buildings;
- hand sanitizing;
- disinfection of common areas; and
- provision of face masks to employees and our subcontractors.

Accordingly, all employees and our subcontractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that the measures are properly implemented.

We also consider the protection of environment to be important and have in place measures to ensure our compliance with all applicable requirements. Given that we are a property management service and property engineering service provider, we believe that we are not subject to material environmental liability risk or costs for compliance.

During the Track Record Period and up to the Latest Practicable Date, we have not had any incidents which have materially and adversely affected our operations, and no fines or penalties for non-compliance of PRC environmental laws had been imposed on us.

MAJOR QUALIFICATIONS AND CERTIFICATIONS

As confirmed by our PRC Legal Advisors, save as disclosed in the paragraph headed “Legal proceedings and compliance” in this section, our Group has obtained all material approvals, permits, licences and certificates from relevant PRC authorities for our business operations in the PRC during the Track Record Period and up to the Latest Practicable Date. The material operating licences, certificates and permits held by us as at the Latest Practicable Date are summarised as follows:

Name of licences, certificates or permits	Holder	Effective period
Installation, Alteration, Repair & Maintenance Licence of Special Equipment (中華人民共和國特種設備安裝改造維修許可證)	Xingye IOT Management	18 April 2016 to 17 April 2020
Engineering Enterprise Qualification Certificate (建築業企業資質證書)	Wuxiang Intelligent	18 July 2019 to 23 April 2023

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Name of licences, certificates or permits	Holder	Effective period
Safety Production Licence (安全生產許可證)	Wuxiang Intelligent	14 December 2018 to 14 December 2021
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Chuangfuxin City underground parking lot) (鄭州市經營性停車場(庫)登記 證 (正商創富欣城地下停車場))	Xingye IOT Management	13 June 2019 to 12 June 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Hanghai Square underground parking lot) 鄭州市經營性停車場(庫)登記 證 (正商航海廣場地下停車場)	Xingye IOT Management	13 June 2019 to 12 June 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Jingkai Square parking lot) 鄭 州市經營性停車場(庫)登記證 (正商經開廣 場停車場)	Xingye IOT Management	13 June 2019 to 12 June 2020
Certificate of Filing of Real Estate Brokerage Business (房地產經紀機構備案證書)	Xingye Consulting	20 June 2019 to 19 June 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Jianzheng Dongfang Centre underground parking lot) 鄭州市經營性停 車場(庫)登記證 (正商建正東方中心地下停 車場)	Xingye IOT Management	31 December 2019 to 30 December 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Huidu Centre parking lot) 鄭州 市經營性停車場(庫)登記證 (正商匯都中心 停車場)	Xingye IOT Management	4 September 2019 to 31 December 2019 ^(Note 1)
Zhengzhou Operating Parking Lot Filing Certificate (Zensun International Plaza parking lot) 鄭州市經營性停車場備案證明 (正商國際廣場停車場)	Xingye IOT Management	26 December 2019 to 26 December 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Huijing Apartment parking lot) 鄭州市經營性停車場(庫)登記證 (正商匯景 公寓停車場)	Xingye IOT Management	4 September 2019 to 31 December 2019 ^(Note 1)
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Jiashi Pavilion parking lot) 鄭州 市經營性停車場(庫)登記證 (正商佳仕閣停 車場)	Xingye IOT Management	30 September 2019 to 31 December 2019 ^(Note 1)
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Xiangyang Square parking lot) 鄭州市經營性停車場(庫)登記證 (正商向陽 廣場停車場)	Xingye IOT Management	30 September 2019 to 31 December 2019 ^(Note 1)

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Name of licences, certificates or permits	Holder	Effective period
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Lanhai Square parking lot) 鄭州市經營性停車場(庫)登記證 (正商藍海廣場停車場)	Xingye IOT Management	30 September 2019 to 31 December 2019 ^(Note 1)
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Boya Square parking lot) 鄭州市經營性停車場(庫)登記證 (正商博雅廣場停車場)	Xingye IOT Management	30 September 2019 to 30 September 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun University Square parking lot) 鄭州市經營性停車場(庫)登記證 (正商學府廣場停車場)	Xingye IOT Management	30 September 2019 to 30 September 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Muhua Square parking lot) 鄭州市經營性停車場(庫)登記證 (正商木華廣場停車場)	Xingye IOT Management	30 September 2019 to 30 September 2020
Zhengzhou Operating Parking Lot (Garage) Registration Certificate (Zensun Hexie Building parking lot) 鄭州市經營性停車場(庫)登記證 (正商和諧大廈停車場)	Xingye IOT Management	20 December 2019 to 20 December 2020

Note:

- Our Directors confirmed that we are in the process of renewing these certificates and the renewal application is being processed by the relevant authorities. As advised by our PRC Legal Advisors, our Group would not have legal impediment in renewing these certificates and the risk for the competent authorities to impose penalties in relation to the incident is very remote as the relevant authorities had confirmed that (i) all necessary application documents had been received and we have satisfied all the requirements for the renewal of the certificates; (ii) there is no legal impediment to the renewal of the certificates; and (iii) during the process of application, there is no non-compliance as we are not in violation of any regulations and no fines or administrative penalties would be imposed and the operation of our business would therefore not be materially affected. Further, as the vacant parking space rental income and temporary parking income received through operating parking lot is collected by us on behalf of Zensun Group, there was no transaction amount relating to this incident.

Some of our material licences, certificates and permits have a limited period of validity. We monitor the validity status of our licences, certificates and permits and make timely applications for the renewal of relevant licences, certificates and permits prior to their expiration date. As advised by our PRC Legal Advisors, there is no legal impediment for our Group to obtain or renew the required licences, certificates and permits provided that we are able to meet the relevant requirements and conditions imposed by the competent government authorities. We have not experienced any material difficulty in obtaining or renewing the required licences, certificates and permits for our business operations during the Track Record Period and up to the Latest Practicable Date, and we do not expect to have any material difficulty in renewing such licences, certificates and permits in the foreseeable future.

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AWARDS AND RECOGNITIONS

We have received a number of awards and recognitions from various entities in the PRC. The following table sets out our major awards and recognitions during the Track Record Period:

Year of grant	Award/recognition	Awarding entities
2019	Certificate of China Property Management Brand Value for “2019 Leading Brand of Central China Property Service” (中國物業服務品牌價值研究成果鑒定書 – “2019中國華中物業服務領先品牌”)	CIA
2019	Top 100 Property Management Companies	CIA
2019	Best Excellent Member in 2018 Zhengzhou Property Service (2018年度鄭州市物業服務 – 優秀會員企業)	Zhengzhou Property Management Association (鄭州市物業管理協會)
2018	2018 Zhengzhou Property Service Public Demonstration for Project – Zhengzhou Muhua Square (鄭州市2018年度物業服務公共示範項目 – 正商木華廣場項目)	Zhengzhou Housing Security and Real Estate Administration Bureau (鄭州市住房保障和房地產管理局)
2018	2018 Zhengzhou Property Service Public Demonstration for Project – Zensun University Square (鄭州市2018年度物業服務公共示範項目 – 正商學府廣場項目)	Zhengzhou Housing Security and Real Estate Administration Bureau (鄭州市住房保障和房地產管理局)
2018	Certificate of China Property Management Brand Value for “2018 China Property Service Outstanding Enterprise” (中國物業服務品牌價值研究成果鑒定書 — “2018中國物業服務優秀服務企業”)	CIA
2018	Top 100 Property Management Companies	CIA
2018	2018 New Third Board Exceptional Real Estate Services Company (2018 新三板優秀房地產服務商)	CIA
2018	Outstanding Contribution Award (突出貢獻獎)	Zhengzhou Housing Security and Real Estate Administration Bureau (鄭州市住房保障和房地產管理局); Zhengzhou Property Management Association (鄭州市物業管理協會)
2017	2017 Zhengzhou Property Service Public Demonstration for Project – Zhengzhou Zensun Lanhai Square (鄭州市2017年度物業服務公共示範項目 – 鄭州正商藍海廣場項目)	Zhengzhou Housing Security and Real Estate Administration Bureau (鄭州市住房保障和房地產管理局)

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Year of grant	Award/recognition	Awarding entities
2017	Certificate of China Property Management Brand Value for “2017 Leading Brand of Central China Property Service” (中國物業服務品牌價值研究成果鑒定書 — “2017中國華中物業服務領先品牌”)	CIA
2017	Top 100 Property Management Companies	CIA
2017	2016 Real Estate Delivery Service Innovation Pioneer in Project Zhengzhou Zensun Lanhai Square (鄭州正商藍海廣場項目 – 地產交付服務創新先鋒)	Mingyuan Real Estate Research Institute, Mingyuan Cloud Service (明源地產研究院, 明源雲服務)
2016	Certificate of China Property Management Brand Value for “2016 Featured Service Brand of China Property Service – Non residential high-end property management” (中國物業服務品牌價值研究成果鑒定書 – “2016中國物業服務特色品牌企業 – 非住宅高端物管”)	CIA

COMPETITION

According to the Savills Report, the property management industry in China is highly fragmented with total number of property management companies reaching approximately 120,000 in 2018 as stated by China Property Management Institute. According to CIA, our Group was ranked 67 in the Top 100 Property Management Companies in terms of overall strength. The market share of the Top 100 Property Management Companies in the PRC was approximately 38.9% in terms of GFA under management in 2018. Major property management companies in China experienced a steady growth in terms of GFA under management. According to China Property Management Institute and CIA, the average net profit of the Top 100 Property Management Companies in the PRC for 2016, 2017 and 2018 was RMB45.8 million, RMB57.3 million and RMB72.2 million, respectively. Approximately 97.55% of property management companies are small or micro-sized enterprises having less than 300 employees and/or annual operating income of less than RMB10.0 million. The highly fragmented market is favourable to sizeable companies with professional knowledge, financial strength and background with affiliation to developers.

According to Savills’ analysis, the property engineering service industry in China is still in its fast growing stage, with total number of midstream developers and solution providers estimated to exceed 3,000. Market concentration of property engineering service is relatively low, with aggregate sales turnover of top 10 companies making up approximately 15% of total market share. The market size of property engineering services increased from approximately RMB86.1 billion in 2012 to approximately RMB253.0 billion in 2018, representing a CAGR of approximately 19.7%. In the next five years, the property engineering service industry will continue to blossom under key market drivers including the continuous growth of construction industry of China.

For details of the competitive landscape of the property management industry and property engineering industry, please refer to the section headed “Industry overview” of this prospectus.

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RESEARCH AND DEVELOPMENT

Our in-house research and development team is primarily responsible for the maintenance and development of our systems for our property engineering services. As at the Latest Practicable Date, we had a team of 12 research and development personnel, of which four of them have obtained certificates in electrical engineering, four of them have obtained certificates in electrical and mechanical engineering and one of them has obtained certificate in electronics engineering. Our total expenditure for research and development amounted to nil, approximately RMB0.3 million, RMB3.0 million and RMB0.9 million, respectively, for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively which was mainly for the wages of our research and development personnel, depreciation of fixed assets and engaging a company in the development of the facial recognition system.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we were in the process of registering a trademark in the PRC, we were also licensed to use one PRC trademark, and were the registered owner of six domain names and six copyrights which were material to our business. Please see the section headed “Statutory and general information – Further information about our business – 2. Our intellectual property rights” in Appendix V to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any material pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

LEASED PROPERTIES

As at the Latest Practicable Date, we leased two properties in Henan Province with an aggregate GFA of approximately 530 sq.m., which are primarily for office use. All of our current lease agreements last for a term of 10 years. All the landlords of the leased properties had not obtained or provided us with the relevant building title certificates. We are unable to ascertain whether the landlords have the legal right or requisite authority to lease such properties to us, whether such properties are subject to mortgages or third-party rights, or whether such leases are subject to challenge by third parties. Our Directors are of the view that, as the leased properties without building title certificates are mainly used for our offices, and replacement premises are readily available, such defects will not have a material adverse effect on our business or financial condition taken as a whole. In order to enhance our internal control system in this respect, we will (i) require our staff to check the certificate of property to be leased before entering into the lease agreement in the future; and (ii) seek advice from our legal advisor before entering into any lease agreement. Considering that our Controlling Shareholders have, under the Deed of Indemnity referred to in the section headed “Statutory and general information – Further information about our business – 1. Summary of material contracts” set out in Appendix V to this prospectus, given joint and several indemnities in favour of our Company (for ourselves and as trustee for each of our subsidiaries) in respect of any loss resulting from the title of the leased properties being defective and that Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) has undertaken to provide us with new properties near our existing headquarters with same level of rental, no provision was made in this respect in the financial statements of our Group.

LEGAL PROCEEDINGS AND COMPLIANCE

Historical non-compliance matters

Save for the following historical non-compliance incidents, our Directors are not aware of any material non-compliance of our Group with the applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date:

Non-compliance in relation to social insurance fund and housing provident fund contributions

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>During the Track Record Period, we failed to</p> <ul style="list-style-type: none"> (i) register with the relevant PRC authorities in respect of social insurance for one of our subsidiaries within prescribed period; (ii) make full contribution to the social insurance fund for our employees of our PRC subsidiaries as required under the relevant PRC laws and regulations; (iii) undertake payment and deposit registration of housing provident fund for some of our PRC subsidiaries and branch company within prescribed period; and (iv) go through the formalities of registering and establishing housing provident fund accounts for some of our employees and make full contribution to the housing provident funds for our employees of our PRC subsidiaries as required under the relevant PRC laws and regulations. <p>The aggregate outstanding amount of our social insurance and housing provident fund contributions for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately RMB850,000.</p>	<p>These non-compliance incidents were primarily due to staff who did not fully understand the different regulatory requirements in area where we operated.</p>	<p>In respect of our failure to register with the relevant PRC authorities in respect of social insurance, according to the relevant PRC laws and regulations, the relevant authorities may demand us to register and establish accounts for social insurance for subsidiaries and branch company within a prescribed period, failing which the relevant authorities may impose a penalty of more than one time and less than three times of the contribution which should have been made in relation to failure to register for social insurance.</p> <p>In respect of our failure to make full contribution to the social insurance, according to the relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions.</p> <p>In respect of our failure to register with the relevant PRC authorities in respect of housing provident funds for some of our subsidiaries and branch company, according to the relevant PRC laws and regulations, the relevant authorities may demand us to register and establish accounts for housing provident funds for them within a prescribed period, failing which the relevant authorities may impose a penalty from RMB10,000 to RMB50,000 in relation to failure to register for housing provident fund.</p> <p>In respect of our failure to go through the formalities of registering and establishing housing provident fund accounts for some of our employees and make full contribution to the housing provident funds, according to the relevant PRC laws and regulations, the relevant PRC authorities may order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People's Court for compulsory enforcement.</p>	<p>As at the Latest Practicable Date, we had registered and established accounts for social insurance and housing provident funds for our subsidiaries and all employees of our PRC subsidiaries. Based on the written confirmations from the relevant government authorities, the adjustment of the contribution base is usually made in a designated time each year which had passed as at the date of the written confirmations. As such, we expect to make full contributions to the social insurance and housing provident fund for all employees of our PRC subsidiaries and branch company on an adjusted contribution base in the second half of 2020.</p> <p>We made provisions in the total amount of approximately RMB361,000, RMB167,000, RMB99,000 and RMB223,000 in respect of such potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Our Directors are of the view that such provisions made are adequate.</p> <p>We have adopted certain enhanced internal control measures to prevent recurrence of the non-compliance incident. For details, please refer to the paragraph headed "Internal control and risk management" in this section.</p> <p>Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incidents.</p>

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>In respect of the non-compliance incidents relating to housing provident fund and social insurance registration and contribution, all of our PRC subsidiaries and branch company have obtained written confirmations from local authorities in August and September 2019, respectively and in January 2020. Pursuant to the aforementioned written confirmations,</p> <p>(i) the competent authority would not impose an obligation on our PRC subsidiaries to pay the outstanding contributions and would not impose any administrative penalty on our subsidiaries and branch company or any of its directors or its responsible personnel in relation to the above non-compliances; and</p> <p>(ii) besides the non-compliances as mentioned above, (a) there were no non-payment, missed payment or underpayment of social insurance and housing provident fund contributions or any breaches of the relevant rules and regulations relating to social insurance and housing provident fund, by the subsidiaries or branch company; and (b) there were no violation of the relevant law, rules and regulations relating to labour and social welfare protection and housing provident fund, by our PRC subsidiaries and branch company which could lead to any administrative penalties, or any investigations by the relevant authorities.</p>	<p>After taking into consideration of the abovementioned remedies and rectification measures, our Directors are of the view that the non-compliance incidents will not have a material adverse impact on our business or results of operation.</p>
		<p>As advised by our PRC Legal Advisors, the relevant PRC authorities are the competent authorities to provide the relevant confirmations, and based on the written confirmations as described above, the risk for the competent authorities to demand for payment of outstanding contributions or impose penalties is remote.</p>	

Non-compliance in relation to Food Operation Licence

Non-compliance incidents

During the Track Record Period, Xingye Consulting failed to obtain a Food Operation Licence when engaging in the business of pre-packaged food sales services. The aggregate transaction amount in relation to the non-compliance incident was approximately RMB0.2 million during the Track Record Period.

Reasons for the non-compliance

The non-compliance incident was primarily due to staff who did not fully understand the relevant regulatory requirements in area where we operated.

Legal consequences and potential maximum penalties

According to the relevant PRC laws and regulations, the relevant authorities may confiscate its illegal income, the food illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation; and impose a fine of not less than RMB50,000 but not more than RMB100,000 on it if the goods value of the food illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

Xingye Consulting has obtained written confirmations from the local authority in September and December 2019. Pursuant to the aforementioned written confirmations, as Xingye Consulting no longer carries out relevant business and the amount involved is small, no investigation will be conducted or no administrative penalties will be imposed.

As advised by our PRC Legal Advisors, the relevant PRC authority is the competent authority to provide the relevant confirmations, and, based on the written confirmations as described above, the risk for the competent authority to confiscate the illegal income or the relevant items or impose penalties is remote.

Remedies and rectification measures taken

We confirm that we no longer engage in the business of pre-packaged food sales services from September 2019 onwards.

We have adopted certain enhanced internal control measures to prevent recurrence of the non-compliance incident. For details, please refer to the paragraph headed "Internal control and risk management" in this section.

Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incident.

Considering that (i) we have obtained the written confirmations from the relevant competent local authority as described above; and (ii) our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incident, no provision was made in this respect in the financial statements of our Group.

After taking into consideration of the abovementioned remedies and rectification measures, our Directors are of the view that the non-compliance incident will not have a material adverse impact on our business or results of operation.

Non-compliance in relation to Intermediary Leasing Services

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>During the Track Record Period, Xingye IOT Management failed to comply with the filing requirements or execute the brokerage agreements properly when engaging in the business of intermediary leasing services. The aggregate transaction amount in relation to the non-compliance incident was approximately RMB3.1 million during the Track Record Period.</p>	<p>The non-compliance incident was primarily due to staff who did not fully understand the relevant regulatory requirements in area where we operated.</p>	<p>According to the relevant PRC laws and regulations, the relevant authorities may impose a fine of RMB10,000 on real estate agents, and a fine of not less than RMB10,000 but not more than RMB30,000 on real estate brokerage institutions, and the information may be put into the records kept by the relevant authorities.</p> <p>Xingye IOT Management has obtained written confirmations from the local authority in August 2019 and January 2020 pursuant to which the local authority confirmed that they would not conduct any investigation or impose any administrative penalties on Xingye IOT Management as Xingye IOT Management no longer engaged in providing intermediary leasing services.</p>	<p>We confirm that Xingye IOT Management no longer engages in the business of intermediary leasing services from 30 June 2019 onwards.</p> <p>We have adopted certain enhanced internal control measures to prevent recurrence of the non-compliance incident. For details, please refer to the paragraph headed "internal control and risk management" in this section.</p> <p>Our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incident.</p>
		<p>As advised by our PRC Legal Advisors, the relevant PRC authority is the competent authority to provide the relevant confirmations, and, based on the written confirmations as described above, the risk for the competent authority to impose penalties or put the information relating to the non-compliance incident into the records kept by the relevant authorities is remote.</p>	<p>Considering that (i) we have obtained the written confirmations from the relevant competent local authority as described above; and (ii) our Controlling Shareholders have agreed to indemnify us against any liabilities or losses arising from the non-compliance incident, no provision was made in this respect in the financial statements of our Group.</p> <p>After taking into consideration of the abovementioned remedies and rectification measures, our Directors are of the view that the non-compliance incident will not have a material adverse impact on our business or results of operation.</p>

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to ensure that our Group maintains an effective internal control system to protect our assets and our Shareholders' interest during our business operation. We have designed and implemented a series of internal control policies and procedures to provide reasonable assurance for achieving effective and efficient operation. Highlights of our internal control system include the following:

Treasury management

We generally fund our expenditure with internal resources, and by bank loans if necessary. Our finance department is responsible for the day-to-day monitoring and management of our Group's cash inflows and outflows when conducting our business. The objective of our treasury management policy is to, (i) ensure proper and efficient fund collection and deployment such that there is no shortfall in cash which may interrupt our Group's daily business operations; and (ii) meet all our payment obligations and fund our projects on a timely basis. In the event of any potential liquidity shortfall, our finance department will respond by making reasonable arrangements, such as bank loans, to meet our working capital needs and fulfil our payment obligations.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any shortfall in cash resources for meeting our liquidity needs.

Risk management

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

- (i) we have adopted internal quality control and supervision measures and procedures to prevent risks. For more details, please see the paragraph headed "Quality control" in this section;
- (ii) we have internal protocol for handling complaints from our customers, for ensuring the satisfaction of our customers;
- (iii) we have established a selection and monitoring policy in relation to our subcontractors engaged by us;
- (iv) we monitor the compliance with our internal rules by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws; and
- (v) we monitor our treasury and expenditure to prevent any potential liquidity shortfall.

Corporate governance

We have adopted or will adopt the following corporate governance and internal control measures to monitor the ongoing implementation of our risk management policies and corporate governance measures after Listing:

- (i) we will establish an Audit Committee prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;

BUSINESS

- (ii) our internal control measures, policies and procedures which were codified, adopted and implemented by us, have been updated and revised;
- (iii) subject to recommendation from our Audit Committee, we will appoint external internal control advisor to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies;
- (iv) our Group has appointed Ms. Lu Shuang, as our company secretary, details of which are set out in the section headed “Directors and senior management – Company secretary” of this prospectus;
- (v) we have appointed Zhongtai International Capital, as our compliance advisor upon the Listing to provide advice to our Directors and management team in respect of matters relating to the Listing Rules; and
- (vi) each of our Directors has received and reviewed a training memorandum prepared by our Hong Kong legal advisors and attended a training session conducted by our Hong Kong legal advisors in relation to responsibilities and duties of directors of a listed company in Hong Kong.

Enhanced internal control measures to prevent recurrence of non-compliance incidents

To prevent the recurrence of non-compliance incidents, we have implemented the following enhanced internal control measures:

- in respect of our social insurance and housing provident fund contributions:
 - we have established an internal procedure on monitoring of our on-going compliance with the relevant employment laws and regulations in the PRC, which includes (i) identification of employment-related laws and regulations such as social insurance and housing provident funds, annual leave, minimum wage and personal income tax; and (ii) designation of our human resources manager to monitor and ensure our compliance with, and identify any updates to, such laws and regulations; and
 - we have designated our remuneration manager to complete the monthly calculations of social insurance and housing provident funds, which shall then be approved by our human resources manager, finance director and our Group’s director.
- in respect of the licences, certificates and filings required for our operation:
 - we have established an internal control policy on the licence, certificate and filing required for our operation. According to the policy, we will not commence a new business before we obtained all the licence and certificate and finished all the filings required; and
 - we have designated our legal manager to regularly check the newly adopted law and regulations in PRC and Henan Province in relation to our operation, and to make sure that all of our licences and certificates are valid and effective.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any of the Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option), approximately 56.59% of our total issued share capital is held by Foison Amber Development. As at the Latest Practicable Date, Foison Amber Development is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established in the BVI on 16 August 2019 by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries as at the Latest Practicable Date. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. As advised by Harney Westwood & Riegels LP, Ms. Zhang, as the protector of the Blossom Trust and the sole director of Foison Amber Development and Fast Achieve, is entitled to, despite she does not directly hold any Share, indirectly exercise or control the exercise of the voting power of the general meetings of our Company or in a position to control the composition of a majority of our Board. Accordingly, Ms. Zhang, Foison Amber Development, Glory Reach and Fast Achieve will become a group of our Controlling Shareholders under the Listing Rules upon the Listing. Our Controlling Shareholders will together be entitled to control the exercise of approximately 56.59% of the total issued share capital of our Company immediately after completion of the Capitalisation Issue and the Global Offering upon the Listing (assuming the Over-allotment Option is not exercised).

Ms. Zhang is our non-executive Director and one of our Controlling Shareholders and therefore is a connected person of our Company. As at the Latest Practicable Date, 100% of the number of issued shares in Ever Diamond Global Company Limited and 74.77% of the number of issued shares in Zensun Enterprises Limited are ultimately owned by a discretionary trust established by Ms. Huang Yanping, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust. In addition, Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group, which together comprise the Zensun Group, are considered associates of Ms. Zhang and connected persons of our Company under Rule 14A.07(4) of the Listing Rules.

EXCLUDED BUSINESS

As at the Latest Practicable Date, Ms. Zhang, our non-executive Director and one of our Controlling Shareholders, and her close associates had been conducting other business or holding interest in Henan Zensun Property Management Co., Ltd.* (河南正商物業管理有限公司) (“**Zensun PM**”), a company established in the PRC and indirectly wholly-owned by Zensun Development as at the Latest Practicable Date, which focused primarily on property management services for residential properties (the “**Excluded Business**”).

According to Savills, the property management industry for residential properties in Zhengzhou and Henan Province is highly fragmented with total number of property management companies (covering both residential and/or non-residential) reaching over 8,500 in 2018 as stated by China Property Management Institute. The market share of the top six companies engaging in property management business for residential properties in Henan Province accounted for less than 10% of market share in terms of total GFA under management. According to Savills, labour costs, which comprise staff cost and subcontracting cost, accounted for approximately 50% to 60% of property management costs for property management companies in Henan Province in 2018. The average property management fee of residential properties in Henan Province for 2016, 2017 and 2018 was all approximately RMB1.3 sq.m./month.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Zensun PM has a portfolio of properties under management which covers 63, 75, 83 and 91 residential properties in the PRC and a total of 447, 603, 681 and 691 employees as at 31 December 2016, 2017 and 2018, and as at 30 September 2019, respectively. As at the Latest Practicable Date, Zensun PM has a portfolio of properties under management which covers 97 residential properties in the PRC and a total of 718 employees. For each of the four years ended 31 December 2019, the revenue of Zensun PM was approximately RMB154.2 million, RMB205.5 million, RMB292.0 million and RMB399.0 million, respectively, with net loss of approximately RMB6.3 million, RMB41.2 million, RMB3.8 million and net profit of approximately RMB54.5 million, respectively. Zensun PM recorded a gross profit of approximately RMB14.5 million, a gross loss of approximately of RMB8.6 million, gross profits of approximately RMB29.4 million and RMB91.4 million for each of the four years ended 31 December 2019, respectively. For each of the four years ended 31 December 2019, the number of loss making projects managed by Zensun PM was 19, 22, 17, and 11, respectively. The total GFA for properties under management by Zensun PM was approximately 10.5 million sq.m., 12.7 million sq.m., 15.2 million sq.m. and 18.9 million sq.m. as at 31 December 2016, 2017, 2018 and 2019, respectively and all these properties were developed by Zensun Group and charged on a lump-sum basis. The average property management fees for properties under management by Zensun PM were approximately RMB1.05 per sq.m./month, RMB1.07 per sq.m./month, RMB1.25 per sq.m./month and RMB1.51 per sq.m./month for the four years ended 31 December 2019, respectively, whereas our average property management fee for properties under management ranged from approximately RMB6.06 to RMB6.29 per sq.m./month during the Track Record Period. During the Track Record Period, substantially all of the properties under management of Zensun PM were located in Henan Province. According to Savills, from 2016 to 2019, the average property management fees for residential properties in Henan Province ranged from approximately RMB1.28 to RMB1.36 per sq.m./month. The average property management fees for properties under management by Zensun PM was generally in line with prevailing market rates. As advised by Savills, the difference in the average property management fee for Zensun PM and our Group reflects mainly the differences in the standards and levels of service provided (such as security, repairs and maintenance, electricity, building facilities, cleaning) and cost factors (such as building size, use, opening hours, level of comfortability and efficiency).

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, Zensun PM was loss-making for the three years ended 31 December 2018 whereas our Group recorded profit during the same period, this mainly reflected the fact that (i) the gross profit margin of property management services provided to residential properties are fundamentally lower as compared to that of non-residential properties. According to Savills, profit margins for property management companies are highly dependent upon the level of property management fee charged and the level of services required by different types of properties since most of the property management costs (such as staff costs, repair and maintenance expenses, utility and subcontracting costs) are fixed costs in nature with no significant disparity. In 2018, the average property management fees for non-residential properties in Henan Province was approximately RMB5.1 sq.m./month, which was substantially higher than that for residential properties of approximately RMB1.3 sq.m./month. Accordingly, the average gross profit margin for commercial properties in Henan Province reaches over 30% and over 40% for prime offices and upscale shopping centres, respectively. By contrast, average gross profit margin for residential properties only reaches around 20% and below 10% for residential communities with age over 15 years. In view of the above, our Directors are of the view that, despite in general the costs for non-residential properties are slightly higher than that for residential properties due to higher standard and level of services provided, non-residential properties could charge a much higher property management fee than residential properties mainly due to the fact that some of the owners of non-residential properties are corporate or individual investors who have low sensitivity to the level of property management fee. The significant disparity in property management fees between residential and non-residential properties lead to a

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fundamentally higher gross profit margin for non-residential properties; (ii) Zensun PM increased its manpower significantly due to its dedication to enhancing its quality of services in customer service and public facility maintenance so as to satisfy the demands by the property owners, as such it recorded substantial increase in its subcontracting costs and staff costs; and (iii) Zensun PM incurred substantial initial set-up costs without charging relevant service fees for the significant increase in number of projects undertaken by it during the three years ended 31 December 2018. Zensun PM did not charge service fees for initial set-up costs of the aforementioned projects because the invitations to quote or tender from Zensun Group contain only property management fees during the post-delivery stage and the initial set-up costs have been taken into consideration when Zensun PM determine the price for their property management services, and according to Savills, this practice is in line with the industry norm, and we adopt the same practice in managing non-residential properties. For each of the four years ended 31 December 2019, the initial set-up cost incurred by Zensun PM was approximately RMB8.1 million, RMB7.0 million, RMB5.3 million and RMB9.3 million, respectively. Initial set-up costs are expenses incurred in the pre-delivery stage (i.e. approximately three to six months before the properties are delivered to the property owners) and in the early stage of property management, which mainly comprise labour costs and the relevant recruitment and training costs before actual delivery and costs associated with the pre-handover inspection and purchase of supplies for new property management projects, for example, (i) office equipment, such as safes, filing cabinets, computers, etc.; (ii) engineering materials, such as tool boxes, submersible pumps, electrician hammers, etc.; (iii) cleaning supplies, such as scrubbers and dust carts; and (iv) safety and protective equipment, such as gas masks, safety ropes, fire blankets, etc.

For the year ended 31 December 2017, the net loss of Zensun PM was substantial, which was mainly due to (i) the recognition of the bonus payment for its employees of approximately RMB12.6 million; (ii) the increase in the number of employees and subcontractors for the increasing number of projects undertaken by Zensun PM, however, these projects were in loss-making status at the pre-delivery or early stage of the property management; and (iii) the professional fees incurred in relation to the issuance of asset-backed securities of approximately RMB3.6 million. For the year ended 31 December 2018, Zensun PM was still in loss-making status mainly due to the over-provision made for bonus payment of more than RMB10.0 million. Without taking into account such over-provision of expense, Zensun PM would have turned a profit in 2018. For the year ended 31 December 2019, Zensun PM turned a net profit of approximately RMB54.5 million which was mainly due to (i) some of the newly delivered properties became profit-making in 2019 due to the full year effect for property management fees received and the absence of initial set-up cost incurred; (ii) the newly delivered projects having a relatively high property management fee; and (iii) the reversal of the over-provision of bonus of approximately RMB10.0 million for the year ended 31 December 2018. During the Track Record Period, no costs or expenses relating to our Group's operations were borne by Zensun PM, any related party or connected person of our Group or any other third party, without being recharged to our Group.

Our Directors are of the view that there are clear business delineations between our Group and Zensun PM for the reasons set out below:

- **Different business scope:** Zensun PM focuses on property management services for residential properties whereas our Group focuses on offering property management and value-added services for non-residential properties.
- **Different customer base:** The different target customers of the two companies have distinctive natures. Our business primarily caters for the needs of corporate entities, whereas the business of Zensun PM primarily caters for the needs of homeowners. This leads to the different requirements of and expectations from

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both corporate entities and homeowners, as the nature of the properties are drastically different. Therefore, the scope of property management services provided to corporate entities and homeowners will vary. We position ourselves as a mid to high-end non-residential property management service provider, and we aim to provide premium services to our corporate entity customers so as to project a professional image of the building under management.

- **Segregated management and employees:** A separate management team, comprising Mr. Huang Kefei as the executive director and general manager, Mr. Lin Xiao and Mr. Wang Junzhe as the senior management and Mr. Lan Liuyang as supervisor, is responsible for the daily operation of Zensun PM. There are no overlapping directors, senior management or employees between our Group and Zensun PM during the Track Record Period.

Based on the above, our Directors consider that the business operation of Zensun PM does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

As at the Latest Practicable Date, our Controlling Shareholders confirmed that they have no current intention to inject the Excluded Business into our Group as the overall businesses of Zensun PM and our Group are largely different, each with its own business scope, customer base and segregated management and employees. Further, as our Group would like to focus on the existing lines of our Group's business and maintaining our professional image in provision of property management services for non-residential properties, we are of the view that the Excluded Business would not be in line with the strategic direction and development plan for our Group. If there is any change in such intention after the Listing, our Company will disclose the relevant information by way of an announcement in accordance with the Listing Rules.

RULE 8.10 OF THE LISTING RULES

As disclosed above, Ms. Zhang, our non-executive Director and one of our Controlling Shareholders, and her close associates held interest in Zensun PM as at the Latest Practicable Date. As (i) Zensun PM focuses primarily on property management services for residential properties; and (ii) there are clear business delineations between our Group and Zensun PM, each of our Controlling Shareholders, our Directors and their respective close associates do not have any interest apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save for the continuing connected transactions set out in the section headed "Connected transactions" of this prospectus, our Directors do not expect that there will be any material transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the matters as described below, our Board is of the view that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after completion of the Capitalisation Issue and the Global Offering.

Operational independence

Our Group is in possession of all relevant licences, production and operating facilities relating to our business. Currently, our Group engages in our business independently, with the independent right to make operational decisions and implement such decisions. Our Group has an independent work force to carry out our operations and has not shared its

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operation team with our Controlling Shareholders' businesses outside our Group. Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities.

During the Track Record Period, our Group was involved in the provision of property management and value-added services, property engineering services and ancillary food supply services to Zensun Group, an associate of Ms. Zhang, one of our Controlling Shareholders and non-executive Directors. Revenue from related party transactions of our Group amounted to approximately RMB6.9 million, RMB10.0 million, RMB40.7 million and RMB34.6 million, respectively, representing approximately 14.5%, 13.2%, 31.0% and 27.2% of our total revenue for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

The term for the goods and services provided to our Controlling Shareholders and their respective close associates were on normal commercial terms as the contract terms (including the pricing terms) were no less favourable to those available to Independent Third Parties. In addition, the terms of the property management framework agreements were determined after considering the nature and location of the properties, scope and quality of services required, expected operational costs, local government pricing guidance on property management fees (if applicable) and potential competitors' pricing and the terms of the property engineering framework agreements were determined by reference to the scope and quality of products or services required, expected costs and market price. For further details, please refer to the section headed "Connected transactions – (B) Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements" of this prospectus.

In addition, none of our Controlling Shareholders and Directors or their respective close associates has been our major supplier which provides any critical services or materials for our operation.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

Management independence

Our management and operational decisions are made by our Board and the senior management. Our Board comprises one executive Director, three non-executive Directors and three independent non-executive Directors. Amongst the members of our Board, only Ms. Zhang, our non-executive Director, is also our Controlling Shareholder.

We believe that our Directors and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors, the interested Director(s) and their respective close associate(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

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- (b) our Board comprises seven Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of our Board. This provides a balance between the number of interested Directors and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules; and
- (c) save as disclosed in this prospectus, all our senior management members are independent from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that they are able to perform their roles in our Company independently, and we are capable of managing our business on a day-to-day basis independently of our Controlling Shareholders and their respective close associates following completion of the Capitalisation Issue and the Global Offering.

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has internal control and accounting systems, and accounting and finance department, and makes financial decisions according to our own business needs.

Our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Based on the foregoing, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their respective close associates.

TRANSACTION ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE A CONNECTED TRANSACTION

On 13 August 2019, we entered into two lease agreements (“**Lease Agreements**”) with Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) in respect of two properties in Henan Province with a GFA of 207 sq.m. and 323 sq.m. at a monthly rental of RMB10,350 and RMB16,150 (both exclusive of management fees), respectively, which are primarily used for office use. As at the Latest Practicable Date, the entire issued shares in Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) are ultimately owned by a discretionary trust established by Ms. Huang Yanping, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust. Ms. Zhang is our non-executive Director and one of our Controlling Shareholders and therefore is a connected person of our Company. Accordingly, Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) is considered an associate of Ms. Zhang and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. However, as the Lease Agreements were both for a fixed term of 10 years, they are treated as one-off connected transactions and not continuing connected transactions. Any future amendments to the Lease Agreements shall be subject to compliance with the requirements under Chapter 14A of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

As disclosed in the paragraph headed “Excluded business” above, Ms. Zhang, our non-executive Director and one of our Controlling Shareholders, and her close associates held interest in Zensun PM as at the Latest Practicable Date. Zensun PM focuses primarily on property management services for residential properties and there are clear business delineations between our Group and Zensun PM. Each of our Controlling Shareholders has confirmed that neither she/it nor any of her/its close associates is engaged in, involved in or interested in any business apart from the business of our Group which, directly or indirectly, competes or may compete with our business. In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company and its subsidiaries and has undertaken and covenanted with our Company that she/it shall not, and shall procure her/its close associates and entities or companies controlled by her/it (other than a member of our Group) not to at any time during the restricted period, directly or indirectly, either on her/its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise):

- (a) carry on, engage, participate, be concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with any business which is the same as, similar to or in competition with the current business of our Group, namely the engagement of business as the property management and value-added service provider to non-residential properties and property engineering service provider in Zhengzhou, Henan Province and any parts of the world where our Group or any member of our Group conducts or will conduct its business (the “**Restricted Business**”);
- (b) canvass, solicit, interfere with or endeavour to entice away from our Group any person, firm, company or organisation which to her/its knowledge has from time to time or has at any time within the immediate past two years before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of our Group for the purpose of conducting any Restricted Business;
- (c) procure orders from or solicit business from any person, firm, company or organisation which to her/its knowledge has dealt with any member of our Group or is in the process of negotiating with any member of our Group in relation to any Restricted Business;
- (d) do or say anything which may be harmful to the reputation of any member of our Group or which may lead any person to reduce their level of business with any member of our Group or seek to improve their terms of trade with any member of our Group;
- (e) solicit or entice or endeavour to solicit or entice for employment by her/it or entities or companies controlled by her/it (other than our Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past two years before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business carried on by our Group;

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- (f) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with any member of our Group in any business activities which any member of our Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of our Controlling Shareholders with their close associates collectively) in any listed company in Hong Kong; and
- (g) make use of any information pertaining to the business of our Group which may have come to her/its knowledge in her/its capacity as a Shareholder of our Company or director of any member of our Group for the purpose of competing with the business of our Group.

In addition, each of our Controlling Shareholders had undertaken and covenanted with our Company that if any new business opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business is made available to any of our Controlling Shareholders, her/its close associates and/or any company or entity controlled by her/it, directly or indirectly, whether individually or together (other than our Group), she/it will or will direct or procure the relevant close associates and/or controlled company to direct such business opportunity to our Group with such required information to enable our Group to evaluate the merits of the relevant business opportunity. The relevant Controlling Shareholder will provide or procure the relevant close associates and/or controlled company to provide our Group with all such reasonable assistance to secure such business opportunity.

None of our Controlling Shareholders and their relevant close associates and controlled companies (other than our Group) shall pursue the relevant business opportunity unless our Company decides not to pursue such business opportunity. Our Group will not be required to pay any fees to any of our Controlling Shareholders, their close associates and/or their relevant controlled companies in relation to such business opportunity.

The Deed of Non-Competition and the rights and obligations thereunder will take effect from the date on which dealings in our Shares first commence on the Stock Exchange and will cease to have any effect upon the earlier of:

- (a) the relevant Controlling Shareholders and her/its close associates and/or companies or entities controlled by her/it, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder of our Company (as defined in the Listing Rules from time to time); or
- (b) our Shares cease to be listed on the Stock Exchange (except for temporary suspension of our Shares due to any reason).

Nothing in the Deed of Non-Competition shall prevent our Controlling Shareholders or any of their close associates from carrying on any business other than the Restricted Business.

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CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (b) our Controlling Shareholders have undertaken under the Deed of Non-Competition to provide all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of undertakings under the Deed of Non-Competition;
- (c) our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-Competition;
- (d) our Controlling Shareholders have undertaken to us under the Deed of Non-Competition to make an annual declaration as to compliance with the terms of the Deed of Non-Competition in the annual report of our Company; and
- (e) the independent board committee of our Company (“**Independent Board Committee**”) comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the new business opportunities referred to our Group by our Controlling Shareholders (or their respective close associates or controlled companies/entities other than members of our Group) and the exercise of the pre-emptive right under the Deed of Non-Competition. The Independent Board Committee, taken as a whole, has the relevant expertise and experience in deciding the new business opportunities or the exercise of the pre-emptive right. For more details of expertise and experience of our independent non-executive Directors, please refer to the section headed “Directors and senior management” of this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial advisor and other external professional advisors as they may consider necessary to advise them on the issues which relate to the above matters.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

Our Group entered into certain agreements with certain connected persons of our Company in the ordinary and usual course of business during the Track Record Period. Following the Listing, the following transactions will continue between our Group and the relevant connected persons, which will constitute continuing connected transactions for our Company under the Listing Rules. Details of such transactions are set out below:

(A) CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The following continuing connected transactions are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Listing Rules:

1. Master Individual Property Management Framework Agreements

Background and principal terms

On 18 February 2020, we entered into a master individual property management framework agreement with each of Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang, respectively (collectively, the “**Master Individual Property Management Framework Agreements**”), pursuant to which we agreed to provide property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. (the “**Property Management and Value-added Services**”) to Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang and/or their associate(s), for a term commencing from the Listing Date to 31 December 2022. Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang are our Directors, and therefore Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang and/or their associate(s) are connected persons of our Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the Master Individual Property Management Framework Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the Listing.

Reason for entering into the Master Individual Property Management Framework Agreements

Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang and/or their associate(s) owned certain units in Zensun Boya Square (正商博雅廣場), Zensun Muhua Square (正商木華廣場), Jianzheng Dongfang Centre (建正東方中心), Zensun Huazuan Huijing Court No. 2 (正商華鑽匯景2號院), Zensun Cheng Xi Yuan Court No. 2 (正商城禧園2號院), Zensun Cheng He Yuan Square (正商城和園廣場), Zensun Huaxiang International Building (正商華祥國際大廈), Zensun Shuxiang Mingzhu (正商書香銘築) which are under our management. As the property owners of the abovementioned properties, each of Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang entered into a master individual property management framework agreement with our Group that governs the overall relationship of the parties in relation to the Property Management and Value-added Services which we will provide to Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhenqiang and/or their associate(s).

CONNECTED TRANSACTIONS

Pricing policy

The fees to be charged for the Property Management and Value-added Services will be determined after taking into account (i) the nature and location of the properties; (ii) scope and quality of the service required; (iii) expected operational costs (including staff costs, subcontracting costs, material costs and operational administrative expenses); (iv) local government pricing guidance on property management (if any); and (v) potential competitors' pricing.

Historical figures

The following table sets out the service fees paid by Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhengqiang and/or their associate(s) in relation to the property management and value-added services provided by our Group during the Track Record Period:

Property management and value-added service fees	For the year ended 31 December			For the nine months ended 30 September
	2016	2017	2018	2019
	RMB	RMB	RMB	RMB
Mr. Zhu Jie and/or his associate(s)	Nil	Nil	Nil	1,282
Mr. Wang Jinhu and/or his associate(s)	Nil	22,011	52,826	58,211
Mr. Liu Zhenqiang and/or his associate(s)	31,326	31,326	31,326	77,976

Estimated transaction amount

Our Directors estimate that the annual service fees to be paid by Mr. Zhu Jie, Mr. Wang Jinhu and Mr. Liu Zhengqiang and/or their associate(s) in relation to the Property Management and Value-added Services under the Master Individual Property Management Framework Agreements for each of the three years ending 31 December 2022 are set out as follows:

Property Management and Value-added Service fees	For the year ending 31 December		
	2020	2021	2022
	RMB	RMB	RMB
Mr. Zhu Jie and/or his associate(s)	6,000	7,000	7,000
Mr. Wang Jinhu and/or his associate(s)	125,000	125,000	125,000
Mr. Liu Zhenqiang and/or his associate(s)	105,000	105,000	105,000

In arriving at the above annual service fees, our Directors have considered (i) historical property management fees during the Track Record Period; (ii) the nature and location of the properties; (iii) scope and quality of the service required; (iv) expected operational costs (including staff costs, subcontracting costs, material costs and operational administrative expenses); (v) local government pricing guidance on property management fees (if any); and (vi) potential competitors' pricing.

CONNECTED TRANSACTIONS

As each of the applicable percentage ratios under the Listing Rules for the Master Individual Property Management Framework Agreements is expected to be less than 0.1% on an annual basis, the transactions under the Master Individual Property Management Framework Agreements will constitute de minimis continuing connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Licence Agreement

Background and principal terms

On 18 February 2020, we entered into a trademark licence agreement (the “**Licence Agreement**”) with Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), pursuant to which Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) has granted a non-exclusive right to our Company and our subsidiaries to use a trademark owned by Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) (class 36 registered in the PRC) (the “**Trademark**”) at nil consideration for a term commencing from the Listing Date to 31 December 2022 which shall be automatically renewed for a further three years perpetually unless terminated, subject to compliance with the requirements under Chapter 14A of the Listing Rules, or on expiry of the trademark granted to Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司). For details of the Trademark, please refer to the section headed “Statutory and general information – Further information about our business – 2. Our intellectual property rights” set out in Appendix V to this prospectus. Ms. Zhang is our non-executive Director and one of our Controlling Shareholders and therefore is a connected person of our Company. As at the Latest Practicable Date, the entire issued shares in Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) are ultimately owned by a discretionary trust established by Ms. Huang Yanping, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust. Accordingly, Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) is considered an associate of Ms. Zhang and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions under the Licence Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the Listing.

Our Directors believe that entering into a trademark licence agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practice for agreements of this type to be of such duration.

Reasons for entering into the Licence Agreement

The Trademark was applied for the use of Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), which is the registrant of the Trademark. The discretionary trust which ultimately owns Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) also holds various subsidiaries, whose scope of business includes, among others, property development in the PRC, property investment, and securities trading and investment. The Trademark covers a broad range of goods and services. The goods and services that relate to the principal business of our Group only constitute a small part of the Trademark. Notwithstanding the Licence Agreement, Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) would continue to use the Trademark for its business operations. For the above reasons, the Trademark is not injected into our Group but is granted for our use pursuant to the Licence Agreement.

CONNECTED TRANSACTIONS

Historical figures

There was no historical transaction amount for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019.

Estimated transaction amount

Based on the terms and conditions under the Licence Agreement, there will be no transaction amount under the Licence Agreement.

As each of the applicable percentage ratios under the Listing Rules for the transactions under the Licence Agreement is expected to be less than 0.1% on an annual basis, the transactions under Licence Agreement will constitute de minimis continuing connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' views

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under the paragraph headed "(A) Continuing connected transactions fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements" in this section have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The following continuing connected transactions are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Listing Rules:

1. Master Property Management Framework Agreements

Background and principal terms

On 18 February 2020, we entered into a master property management framework agreement with each of Ever Diamond Global Company Limited (the "**Ever Diamond Master Property Management Framework Agreement**"), Zensun Development (the "**Zensun Development Master Property Management Framework Agreement**") and Zensun Enterprises Limited (the "**Zensun Enterprises Master Property Management Framework Agreement**"), respectively (collectively, the "**Master Property Management Framework Agreements**"), pursuant to which we agreed to provide Property Management and Value-added Services to Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group, for a term commencing from the Listing Date to 31 December 2022. Ms. Zhang is our non-executive Director and one of our Controlling Shareholders and therefore is a connected person of our Company. As at the Latest Practicable Date, 100% of the number of issued shares in Ever Diamond Global Company Limited and 74.77% of the number of issued shares in Zensun Enterprises Limited are ultimately owned by a discretionary trust established by Ms. Huang Yanping, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust. In addition, Zensun Development

CONNECTED TRANSACTIONS

is a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group are considered associates of Ms. Zhang and connected persons of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions under the Master Property Management Framework Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the Listing.

Reason for entering into the Master Property Management Framework Agreements

Ever Diamond Group and Zensun Enterprises Group engage in property development business in the PRC and, from time to time, our Group will provide property management and value-added services to properties developed by Ever Diamond Group and Zensun Enterprises Group after we are successful in winning the tender and bids. Zensun Development Group engages in, among others, property investment business in the PRC, and our Group will provide property management and value-added services to them as Zensun Development Group purchased several units in Jianzheng Dongfang Centre (建正東方中心) which are under management of our Group.

On 18 February 2020, our Company (for itself and on behalf of its subsidiaries) entered into the Ever Diamond Master Property Management Framework Agreement, Zensun Development Master Property Management Framework Agreement and Zensun Enterprises Master Property Management Framework Agreement that govern the overall relationship of the parties in relation to the Property Management and Value-added Services which we will provide to Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group.

Pricing policy

The fees to be charged for the Property Management and Value-added Services will be determined after taking into account (i) the nature and location of the properties; (ii) scope and quality of the service required; (iii) expected operational costs (including staff costs, subcontracting costs, material costs and operational administrative expenses); (iv) local government pricing guidance on property management fees (if any); (v) the 50% discount for the property management fees we usually offer for unsold properties; and (vi) potential competitors' pricing. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and/or less favourable than the standard fees to be charged from Independent Third Parties.

Historical figures

For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, the total amount of fees paid and payable for the property management services and value-added services provided by our Group amounted to:

- approximately RMB6.0 million, RMB8.9 million, RMB10.4 million and RMB12.1 million, respectively by Ever Diamond Group;
- approximately RMB0.9 million, RMB1.1 million, RMB1.5 million and RMB1.4 million, respectively by Zensun Development Group; and
- nil, nil, approximately RMB5.3 million and RMB6.3 million, respectively by Zensun Enterprises Group.

CONNECTED TRANSACTIONS

Annual caps

Our Directors estimate that the aggregate annual caps in relation to the Property Management and Value-added Services to be provided by our Group under the Master Property Management Framework Agreements for each of the three years ending 31 December 2022 will not exceed RMB32.0 million, RMB47.0 million and RMB55.0 million, respectively, which comprise:

- the maximum annual fee payable by Ever Diamond Group under the Ever Diamond Master Property Management Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB19.5 million, RMB24.5 million and RMB28.5 million, respectively;
- the maximum annual fee payable by Zensun Development Group under the Zensun Development Master Property Management Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB3.0 million, RMB3.0 million and RMB3.5 million, respectively; and
- the maximum annual fee payable by Zensun Enterprises Group under the Zensun Enterprises Master Property Management Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB9.5 million, RMB19.5 million and RMB23.0 million, respectively.

The annual caps of the Master Property Management Framework Agreements increase by RMB15.0 million from RMB32.0 million for the year ending 31 December 2020 to RMB47.0 million for the year ending 31 December 2021. The increase is mainly due to (i) an increase in the maximum annual fee payable by Ever Diamond Group under the Ever Diamond Master Property Management Framework Agreement for the year ending 31 December 2021 amounting to approximately RMB5.0 million; and (ii) an increase in the maximum annual fee payable by Zensun Enterprises Group under the Zensun Enterprises Master Property Management Framework Agreement for the year ending 31 December 2021 amounting to approximately RMB10.0 million.

- The increase in the maximum annual fee payable by Ever Diamond Group to our Group under the Ever Diamond Master Property Management Framework Agreement for the year ending 31 December 2021 amounting to approximately RMB5.0 million is mainly contributed by an increase in the expected parking space management fees to be paid by Ever Diamond Group amounting to approximately RMB4.5 million. Such fees are mainly derived from the car parking spaces held by Ever Diamond Group located in four pipeline properties, namely Zensun Zichen Garden (正商紫辰園), Zensun Meiyu Mingzhu (正商美譽銘築), Zensun Binhe Mingzhu (正商濱河銘築) and Zensun Cheng He Yuan Court No. 2 (正商城和園2號院); and
- The increase in the maximum annual fee payable by Zensun Enterprises Group to our Group under the Zensun Enterprises Master Property Management Framework Agreement for the year ending 31 December 2021 amounting to approximately RMB10.0 million is mainly contributed by:
 - (i) an increase in the expected parking space management fees to be paid by Zensun Enterprises Group amounting to approximately RMB4.7 million. Such fees are mainly derived from the car parking spaces held by Zensun Enterprises Group located in two pipeline properties, namely Zensun Huihang Mingzhu (正商匯航銘築) and Zensun International Building (正商國際大廈) as the delivery date and commencement date of Zensun International Building (正商國際大廈) would be in 2021 due to earlier completion of the property based on the most updated development plan from Zensun Group; and

CONNECTED TRANSACTIONS

- (ii) an increase in the expected property management fees for unsold properties payable by Zensun Enterprises Group to our Group amounting to approximately RMB5.5 million. Such fees are mainly derived from our Group's two pipeline properties, namely Zensun Huihang Mingzhu (正商匯航銘築) and Zensun International Building (正商國際大廈) as the delivery date and commencement date of Zensun International Building (正商國際大廈) would be in 2021 due to earlier completion of the property based on the most updated development plan from Zensun Group.

In arriving at the above annual caps of the Property Management and Value-added Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts during the Track Record Period;
- the pipeline properties to be delivered by Ever Diamond Group and Zensun Enterprises Group based on their development plans for 2020 to 2022 and the expected delivery date taking into account the possibility of early delivery and commencement of the pipeline properties, of which the total GFA to be delivered for each of the three years ending 31 December 2022 is estimated to be approximately 0.6 million sq.m., 0.8 million sq.m. and 0.2 million sq.m., respectively; and
- the percentage of historical and expected unsold GFA for properties delivered or to be delivered by Ever Diamond Group and Zensun Enterprises Group, respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Master Property Management Framework Agreements (on an aggregate and annual basis) are expected to be, for each of the three years ending 31 December 2022, more than 5% and the total consideration is more than HK\$10,000,000, the transactions under the Master Property Management Framework Agreements will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Property Engineering Framework Agreements

Background and principal terms

On 18 February 2020, we entered into a master property engineering framework agreement with each of Ever Diamond Global Company Limited (the "**Ever Diamond Master Property Engineering Framework Agreement**"), Zensun Development (the "**Zensun Development Master Property Engineering Framework Agreement**") and Zensun Enterprises Limited (the "**Zensun Enterprises Master Property Engineering Framework Agreement**"), respectively (collectively, the "**Master Property Engineering Framework Agreements**"), pursuant to which we agreed to provide property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems (the "**Property Engineering Services**") to Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group, for a term commencing from the Listing Date to 31 December 2022. Ms. Zhang is our non-executive Director and one of our Controlling Shareholders and therefore is a connected person of our Company. As at the Latest Practicable Date,

CONNECTED TRANSACTIONS

100% of the number of issued shares in Ever Diamond Global Company Limited and 74.77% of the number of issued shares in Zensun Enterprises Limited are ultimately owned by a discretionary trust established by Ms. Huang Yanping, who is the mother of Ms. Zhang, as settlor and protector, and Vistra Trust (Singapore) Pte. Limited as trustee and Ms. Huang Yanping and Ms. Zhang as beneficiaries under the discretionary trust. In addition, Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Ever Diamond Group, Zensun Development and Zensun Enterprises Group are considered associates of Ms. Zhang and connected persons of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions under the Master Property Engineering Framework Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the Listing.

Reason for entering into the Master Property Engineering Framework Agreements

Ever Diamond Group and Zensun Enterprises Group engage in property development business in the PRC and, from time to time, will develop properties in the PRC which our Group will provide property engineering services to them after we are successful in winning the tender and bids. Zensun Development Group engages in, among others, construction and renovation works in the PRC, and our Group will provide property engineering services to them after they are engaged by property owners in renovation works.

On 18 February 2020, our Company (for itself and on behalf of its subsidiaries) entered into the Ever Diamond Master Property Engineering Framework Agreement, Zensun Development Master Property Engineering Framework Agreement and Zensun Enterprises Master Property Engineering Framework Agreement that govern the overall relationship of the parties in relation to the Property Engineering Services which we will provide to Ever Diamond Group, Zensun Development Group and Zensun Enterprises Group.

Pricing policy

The fees to be charged for the Property Engineering Services will be determined after taking into account the complexity and the scope of service required by our customers. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) and/or less favourable than the standard fees to be charged from Independent Third Parties.

Historical figures

For each of the four years ended 31 December 2019, the total amount of fees paid and payable for the property engineering services provided by our Group amounted to:

- nil, nil, approximately RMB14.1 million and RMB20.7 million, respectively by Ever Diamond Group;
- nil, nil, nil, and approximately RMB27,000, respectively by Zensun Development Group; and
- nil, nil, approximately RMB4.2 million and RMB13.3 million, respectively by Zensun Enterprises Group.

CONNECTED TRANSACTIONS

Annual caps

Our Directors estimate that the aggregate annual caps in relation to the Property Engineering Services to be provided by our Group under the Master Property Engineering Framework Agreements for each of the three years ending 31 December 2022 will not exceed RMB63.0 million, RMB70.0 million and RMB77.5 million (on an aggregate basis), respectively, which comprise:

- the maximum annual fee payable by Ever Diamond Group under the Ever Diamond Master Property Engineering Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB22.5 million, RMB21.5 million and RMB22.5 million, respectively;
- the maximum annual fee payable by Zensun Development Group under the Zensun Development Master Property Engineering Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB22.0 million, RMB22.0 million, and RMB21.0 million, respectively; and
- the maximum annual fee payable by Zensun Enterprises Group under the Zensun Enterprises Master Property Engineering Framework Agreement for each of the three years ending 31 December 2022 will not exceed RMB18.5 million, RMB26.5 million and RMB34.0 million, respectively.

In arriving at the above annual caps of the Property Engineering Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts during the Track Record Period;
- the number of projects for which we had been engaged by Ever Diamond Group and Zensun Enterprises Group to provide property engineering services which was 18 and 18, respectively, as at 30 September 2019, of which the remaining contract value for services to be rendered under the property engineering agreements amounted to approximately RMB30.7 million and RMB25.1 million, respectively, as at 30 September 2019;
- the number of properties for which we had been engaged by Zensun Development Group to provide property engineering services which was one as at the Latest Practicable Date, of which the remaining contract value for services to be rendered under the property engineering agreements amounted to approximately RMB17.9 million as at the Latest Practicable Date;
- the number of properties for which Zensun Development Group is expected to be engaged to carry out construction and renovation works in the PRC requiring our property engineering services which was three as at the Latest Practicable Date with expected transaction amount of approximately RMB46.2 million;
- the number of properties under development in our Group's pipeline and planned to be developed by Ever Diamond Group and Zensun Enterprises Group requiring property engineering services which was 13 and 21, respectively, as at 30 September 2019;

CONNECTED TRANSACTIONS

- our historical average successful rate in securing property engineering projects through quotation or tender bids of (i) 100.0%, approximately 54.5% and 91.7% for the property engineering projects for properties developed by Ever Diamond Group for the year ended 31 December 2017, 31 December 2018 and the nine months ended 30 September 2019, respectively; and (ii) approximately 88.9% and 45.5% for the property engineering projects for properties developed by Zensun Enterprises Group for the year ended 31 December 2018 and the nine months ended 30 September 2019, respectively; and
- based on the Savills Report, there will be a 4% to 10% annual increment in the service fees for property engineering services to be charged by us having taken into account of the service fee charged by other system developers and solution providers, the economic growth of Henan Province and expected inflation rate.

The annual cap(s) of the Zensun Enterprises Master Property Engineering Framework Agreement increased by RMB8.0 million from RMB18.5 million for the year ending 31 December 2020 to RMB26.5 million for the year ending 31 December 2021 and by RMB7.5 million from RMB26.5 million for the year ending 31 December 2021 to RMB34.0 million for the year ending 31 December 2022. The increase is due to (i) the expected annual increment in contract value at a rate of approximately 36% from the year ending 31 December 2020 to the year ending 31 December 2021 and approximately 21% from the year ending 31 December 2021 to the year 31 December 2022 which is primarily due to the increase in number of projects engaged by Zensun Enterprises Group to provide property engineering services and the increase in number of properties under the development of Zensun Enterprises Group requiring property engineering services with reference to the historical average success rate in securing property engineering projects through quotations or tender bids; and (ii) the expected annual increment of property engineering service fees at an average rate of 7% as estimated by Savills, taking into account service fee charged by other system developers and solutions providers, and the economic growth of Henan Province and expected inflation rate.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Master Property Engineering Framework Agreements (on an aggregate and annual basis) are expected to be, for each of the three years ending 31 December 2022, more than 5% and the total consideration is more than HK\$10,000,000, the transactions under the Master Property Engineering Framework Agreements will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver application

Transactions contemplated under each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements will constitute continuing connected transactions of our Company which will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements of the Listing Rules.

Our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if the continuing connected transactions under each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements will be subject to strict compliance with the announcement, circular and independent shareholders' approval requirements under Rules 14A.35, 14A.36 and 14A.46 of the Listing Rules.

CONNECTED TRANSACTIONS

In respect of the continuing connected transactions under each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Rules 14A.35, 14A.36 and 14A.46 of the Listing Rules subject to the condition that the aggregate amounts of each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements for each of the three years ending 31 December 2022 will not exceed their respective annual caps.

Directors' view

Our Directors, including our independent non-executive Directors, consider that the continuing connected transactions under each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements have been and will be carried out (a) in the ordinary and usual course of our business; (b) on normal commercial terms or better; and (c) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors, including our independent non-executive Directors, are also of the view that the annual caps of each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Sole Sponsor's view

The Sole Sponsor is of the view that (a) the continuing connected transactions under each of the (i) Master Property Management Framework Agreements; and (ii) Master Property Engineering Framework Agreements have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (b) the annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of seven Directors, comprising one executive Director, three non-executive Directors and three independent non-executive Directors. The following table sets out certain information regarding our Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Roles and responsibilities	Relationship amongst our Directors and senior management
Mr. Zhu Jie (朱杰)	43	16 April 2015	12 August 2019	Chairman, executive Director and chief executive officer	Responsible for the overall management and strategic planning of our Group's business operations	None
Ms. Zhang Huiqi (張惠琪)	30	12 August 2019 ^(Note)	12 August 2019	Non-executive Director	Responsible for our Group's business development and investor relations	None
Mr. Wang Jinhu (王金虎)	49	10 May 2017	12 August 2019	Non-executive Director	Responsible for providing strategic advice to our Board	None
Mr. Liu Zhenqiang (劉振強)	60	10 May 2017	12 August 2019	Non-executive Director	Responsible for providing strategic advice to our Board	None
Mr. Xu Chun (徐春)	43	9 September 2019	9 September 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Mr. Feng Zhidong (馮志東)	46	12 August 2019	12 August 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Mr. Zhou Sheng (周勝)	47	12 August 2019	12 August 2019	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None

Note: Ms. Zhang Huiqi first joined our Group from September 2013 to May 2017 and re-joined our Group on 12 August 2019.

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Zhu Jie (朱杰), aged 43, was appointed as our Director on 12 August 2019 and was re-designated as our executive Director, chairman of our Board and our chief executive officer on 17 September 2019. Mr. Zhu joined our Group in April 2015 and is primarily responsible for the overall management and strategic planning of our Group's business operations. Mr. Zhu is currently the chairman of the board of directors and general manager of Xingye IOT Management and the executive director and general manager of Xingye Consulting, each a subsidiary of our Company.

Mr. Zhu has over 18 years of experience in the real estate and property management industry. Mr. Zhu served as a deputy general manager of Xingye IOT Management from April 2015 to May 2017 and was subsequently appointed as the chairman of the board of directors and general manager of Xingye IOT Management in May 2017. He has been the executive director and general manager of Xingye Consulting since its establishment in April 2018. Prior to joining our Group, from August 1997 to March 2001, Mr. Zhu served as a supervisor in Henan Zhengzhou Jianguo Restaurant Co., Ltd.* (河南鄭州建國飯店有限公司), which is principally engaged in catering, entertainment and hotel consulting. From March 2001 to August 2004, Mr. Zhu served as a manager of Henan Xin Changcheng Shiye Restaurant Co., Ltd.* (河南新長城實業有限公司長城飯店), which is principally engaged in the provision of catering services and property management. From August 2004 to August 2013, Mr. Zhu served as a deputy general manager of Henan Taiping Shijia Property Management Co., Ltd.* (河南太平世家物業服務有限公司), which is principally engaged in the provision of property management services. From September 2013 to March 2015, Mr. Zhu served as a deputy general manager in Xuchang Huiyu Real Estate Co., Ltd.* (許昌滙裕地產有限公司), which is principally engaged in real estate development and sales.

Mr. Zhu obtained a diploma in refrigeration and air conditioning from Henan Textile Industry College (河南紡織工業學校) in the PRC in June 1997.

Non-executive Directors

Ms. Zhang Huiqi (張惠琪), aged 30, was appointed as our Director on 12 August 2019 and was re-designated as our non-executive Director on 17 September 2019. Ms. Zhang joined our Group as a supervisor from September 2013 to May 2017 and re-joined our Group in 12 August 2019 and is primarily responsible for our Group's business development and investor relations.

Ms. Zhang currently holds directorship and managerial position in various companies, including those set out below:

<u>Name of entity</u>	<u>Principal business</u>	<u>Position and period of time</u>
Xiangcheng Investment	project investment, asset management and investment consulting	an executive director and manager since July 2010
Global Medical REIT Inc.	real estate investment trust (a company whose shares are listed on the New York Stock Exchange with stock code GMRE)	a director since March 2016
Shanghai Dengding Shiye Co., Ltd.* (上海鄧鼎實業有限公司)	business management consulting, corporate management and market planning	a director and general manager since March 2017

DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Position and period of time
Shanghai Zixu Asset Management Co., Ltd.* (上海紫旭資產管理有限公司)	asset management and investment consulting	an executive director since April 2017 and manager since July 2017
Henan Hurui Culture Press Co., Ltd.* (河南互瑞文化傳媒有限公司) .	planning, design and production of advertising materials	an executive director and general manager since October 2017
Henan Beijiamei Education Information Consulting Co., Ltd.* (河南貝佳美教育信息諮詢有限公司).	education, information consultation and business management consulting	an executive director and general manager since April 2018
Beijing Beijiamei Education Technology Co., Ltd.* (北京貝佳美教育科技有限公司)	provision of technological services and development	an executive director and manager since April 2018
ZH Properties Limited (正恒置業有限公司)	property investment	a director since March 2019

Ms. Zhang obtained a bachelor's degree in business administration (economic information management) from Beijing Forestry University (北京林業大學) in the PRC in July 2011, a master of science degree in management from University of Leicester in the United Kingdom in January 2014 and a master of science degree in project and enterprise management from University College London in the United Kingdom in November 2015.

Ms. Zhang will be entitled to control the exercise of approximately 56.59% of the total issue share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) by virtue of the SFO.

Mr. Wang Jinhu (王金虎), aged 49, was appointed as our Director on 12 August 2019 and was re-designated as our non-executive Director on 17 September 2019. Mr. Wang joined our Group in May 2017 and is primarily responsible for providing strategic advice to our Board. Mr. Wang is currently a vice president of Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司).

Mr. Wang has over 26 years of experience in the real estate and property management industry. Mr. Wang has been serving as a director of Xingye IOT Management since May 2017. Prior to joining our Group, Mr. Wang served as the construction supervisor from September 1993 to June 1995, then the statistical officer from July 1995 to February 1997 of Zhengzhou Huayu Real Estate Development Co., Ltd.* (鄭州華裕房地產開發有限公司), which is principally engaged in real estate development and operation. From March 1997 to December 1997, from January 1998 to March 1999, from April 1999 to October 2000, Mr. Wang served as a sales personnel, a manager of the strategic planning department and a manager of the real estate management service department, respectively, in Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司), which is principally engaged in real estate development. From November 2000 to January 2003, Mr. Wang served as the head of the landscape and decoration department; from January 2003 to January 2005, he served as a general manager of the project department; from January 2005 to June 2006, he served as an assistant to the chief executive officer; from June 2006 to October 2008, he served as a marketing director and as an assistant to the executive officer, from October 2008 to April 2009, he served as an assistant to the executive officer, the head of the landscape support center and technology centre and in April 2009, he was promoted to the position of vice president in Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), which is principally engaged in real estate development.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang currently holds directorship and managerial position in various companies, including those set out below:

Name of entity	Principal business	Position and period of time
Henan Yulu Zensun Real Estate Co., Ltd.* (河南豫路正商置業有限公司)	real estate development and sales	a director since April 2012
Henan Huixing Urban and Rural Construction Co., Ltd.* (河南惠興城鄉建設有限公司)	real estate development and operation	an executive director and general manager since January 2016
Henan Huizheng Urban Construction Co., Ltd.* (河南惠正城鄉建設有限公司)	real estate development and operation	an executive director and general manager since January 2016
Xingye IOT Management	property management	a director since May 2017
Henan Qisheng Real Estates Co., Ltd.* (河南啟盛置業有限公司) .	real estate development and operation	an executive director and general manager since September 2017
Henan Ruibang Environmental Technology Co., Ltd.* (河南瑞邦環境科技有限公司)	production, sales, installation and maintenance services	an executive director since September 2017
Henan Ruibang Zhonghong Technology Park Development Co., Ltd.* (河南瑞邦中鴻科技園開發有限公司)	real estate development and management	an executive director since September 2017
Henan Hanhui Real Estates Co., Ltd.* (河南漢輝置業有限公司) .	real estate development and operation	an executive director and general manager since March 2018
Henan Zensun Wangcun Real Estates Co., Ltd.* (河南正商王村置業有限公司)	real estate development and operation	an executive director and general manager since May 2018
Xingyang Boya Real Estates Co., Ltd.* (滎陽博雅置業有限公司) .	real estate development and operation	an executive director and general manager since July 2018
Henan Tiange Agricultural Technology Development Co., Ltd.* (河南田歌農業科技開發有限公司)	planting and processing of agricultural products	an executive director since August 2018
Henan Chenguang Zensun Real Estates Co., Ltd.* (河南晨光正商置業有限公司)	real estate development and operation	an executive director and general manager since August 2018
Henan Xinghan Zensun Real Estates Co., Ltd.* (河南興漢正商置業有限公司)	real estate development and operation	an executive director and general manager since August 2018
Henan Zensun Huafu Real Estates Co., Ltd.* (河南正商華府置業有限公司)	real estate development and operation	an executive director and general manager since September 2018

DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Position and period of time
Henan Zensun Xinming Real Estates Co., Ltd.* (河南正商新銘置業有限公司)	real estate development and operation	an executive director and general manager since September 2018
Henan Zensun Jinming Real Estates Co., Ltd.* (河南正商金銘置業有限公司)	real estate development and operation	an executive director and general manager since November 2018
Henan Yuexi Real Estates Co., Ltd.* (河南悅璽置業有限公司)	real estate development and operation	an executive director and general manager since January 2019

Mr. Wang graduated from University of Henan (河南大學) in the PRC in July 1993 with a major in geography and completed a senior management business administration course at Tsinghua University (清華大學) in the PRC in October 2010. Mr. Wang also obtained the certificate of senior construction engineer in March 2008 granted by Tianjin Personnel Bureau* (天津市人事局).

Mr. Liu Zhenqiang (劉振強), aged 60, was appointed as our Director on 12 August 2019 and was re-designated as our non-executive Director on 17 September 2019. Mr. Liu joined our Group in May 2017 and is primarily responsible for providing strategic advice to our Board. Mr. Liu is currently a vice president of Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司).

Mr. Liu has over 15 years of experience in the property management and real estate industry. Mr. Liu has been serving as a director of Xingye IOT Management since May 2017. Prior to joining our Group, Mr Liu served as a deputy general manager and a supervisor of the property management centre from October 2004 to October 2005, a deputy supervisor of the land development committee from January 2007 to August 2008, a deputy director of the land development centre from September 2008 to April 2009, a director of the land development centre from April 2009 to October 2011, and was further promoted to the position of vice president in October 2011 of Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), which is principally engaged in real estate development. Mr. Liu also served as an assistant to the general manager and head of real estate management service and customer service department of Henan Xingye Real Estate Development Co., Ltd.* (河南興業房地產開發有限公司) from October 2005 to January 2007.

Mr. Liu currently holds directorship and position in various companies, including those set out below:

Name of entity	Principal business	Position and period of time
Xingye IOT Management	property management	a director since May 2017
Henan Zensun Heluo Real Estates Co., Ltd.* (河南正商河洛置業有限公司)	real estate development and operation	an executive director and general manager since October 2017
Henan Zensun Longshui Real Estates Co., Ltd.* (河南正商瓏水置業有限公司)	real estate development and operation	an executive director and general manager since November 2017

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Name of entity	Principal business	Position and period of time
Henan Zensun Shangzhu Real Estates Co., Ltd.* (河南正商尚築置業有限公司)	real estate development and operation	an executive director and general manager since February 2018
Henan Zhanyu Real Estates Co., Ltd.* (河南展宇置業有限公司)	real estate development and sales	an executive director and general manager since August 2018
Henan Zhanyang Commercial Co., Ltd.* (河南展陽商業有限公司)	real estate development and sales	an executive director and general manager since March 2018
Henan Shanglin Real Estates Co., Ltd.* (河南上林置業有限公司)	real estate development and operation	an executive director and general manager since August 2018
Henan Linmeng Real Estates Co., Ltd.* (河南林盟置業有限公司)	real estate development and operation	an executive director and general manager since September 2018
Henan Zensun Zhongzhou Real Estates Co., Ltd.* (河南正商中州置業有限公司)	real estate development and operation	an executive director and general manager since September 2018
Henan Xinzhu Real Estates Co., Ltd.* (河南新築置業有限公司)	real estate development and operation	an executive director and general manager since November 2018
Henan Zensun Shangbin Real Estates Co., Ltd.* (河南正商尚濱置業有限公司)	real estate development and operation	an executive director and general manager since November 2018
Henan Zensun Jingkai Real Estates Co., Ltd.* (河南正商經開置業有限公司)	real estate development and operation	an executive director and general manager since November 2018
Henan Zensun Shangdu Real Estates Co., Ltd.* (河南正商商都置業有限公司)	real estate development and operation	an executive director and general manager since December 2018
Zhengzhou Junlian Real Estates Development Co., Ltd.* (鄭州君聯房地產開發有限公司)	real estate development and operation	an executive director and general manager since January 2019
Henan Huidong Real Estates Co., Ltd.* (河南惠東置業有限公司)	real estate development and operation	an executive director and general manager since February 2019
Henan Jiayuemei Real Estates Co., Ltd.* (河南佳悅美置業有限公司)	real estate development and operation	an executive director and general manager since February 2019
Henan Jinzhou Real Estates Co., Ltd.* (河南金州置業有限公司)	real estate development and operation	an executive director and general manager since March 2019

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Mr. Liu obtained a bachelor's degree in physics, majoring in radio physics, in June 1983 from the University of Zhengzhou (鄭州大學) in the PRC and graduated from the University of Zhengzhou (鄭州大學) in the PRC in November 2006 with a major in business administration. Mr. Liu also obtained the certificate of senior engineer of construction and installation in the PRC granted by Tianjin Personnel Bureau* (天津市人事局) in March 2008.

Independent non-executive Directors

Mr. Xu Chun (徐春), aged 43, was appointed as our Director on 9 September 2019 and was re-designated as our independent non-executive Director on 17 September 2019. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Xu has more than 15 years of experience in the real estate industry. From August 1999 to August 2004, Mr. Xu worked as a deputy chief of technical quality division of Jiangsu Huajian Construction Co., Ltd. (Shenzhen branch)* (江蘇省華建建設股份有限公司深圳分公司), which is principally engaged in building construction. From September 2004 to December 2004, he worked as a civil engineer of Shenzhen Hongwei Real Estate Development Co., Ltd.* (深圳鴻威房地產開發有限公司), which is principally engaged in real estate development. From December 2004 to April 2013, he worked in the Longban area in Shenzhen Wanke Development Co., Ltd.* (深圳市萬科發展有限公司) (formerly known as Shenzhen Wanke Real Estate Co., Ltd.* (深圳市萬科房地產有限公司)), which is principally engaged in real estate development with his last position as a general manager. Since April 2013, he works as a vice president in Zhuoyue Real Estate Holdings Co., Ltd.* (卓越置業集團有限公司), which is principally engaged in real estate development.

Mr. Xu obtained a bachelor's degree in construction engineering from China University of Mining and Technology (中國礦業大學) in the PRC in July 1999, a master of construction and civil engineering degree in Southeast University (東南大學) in the PRC in April 2005. Mr. Xu has also obtained an executive master of business administration degree from Tsinghua University (清華大學) in the PRC in January 2019.

Mr. Feng Zhidong (馮志東), aged 46, was appointed as our Director on 12 August 2019 and was re-designated as our independent non-executive Director on 17 September 2019. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Feng has more than 20 years of experience in financial management, capital operations and managing investor relations. In particular, Mr. Feng was a deputy general manager of the capital department of Yue Xiu Enterprises (Holdings) Limited from December 2009 to July 2016. Mr. Feng was also a general manager of the investor relations department of a group company of Yuexiu Property Company Limited (a company listed on the Main Board of the Stock Exchange with stock code 123) from April 2012 to April 2016. Mr. Feng was an independent non-executive director of LEAP Holdings Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 1499), a company principally engaged in the provision of foundation works and ancillary services from August 2015 to November 2017.

In addition, Mr. Feng served as (i) the chairman of the board and a director of Guangzhou Yueting Network Technology Co., Ltd.* (廣州悅停網絡科技有限公司), which is principally engaged in internet parking services, since June 2016; and (ii) the chairman of the board and a director of Guangzhou Yueting Capital Management Co., Ltd.* (廣州悅停資本管理有限公司), which is principally engaged in parking management and corporate management services, since August 2018.

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Mr. Feng obtained a bachelor's degree in international accounting from the Renmin University of China (中國人民大學) in the PRC in July 1995 and obtained a master's degree in business administration from South China University of Technology (華南理工大學) in the PRC in February 2004. Mr. Feng has also completed the mergers and acquisitions executive program from the Business School of Sun Yat-sen University (中山大學) in the PRC in March 2015 and the Global Entrepreneur Leadership Program from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院) in the PRC in July 2019. In addition, Mr. Feng obtained the certificate of specialty and technology (intermediate level) in accounting in the PRC granted by the MOF in May 1999.

Mr. Zhou Sheng (周勝), aged 47, was appointed as our Director on 12 August 2019 and was re-designated as our independent non-executive Director on 17 September 2019. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Zhou has more than 20 years of experience in the legal field in the PRC. From July 1999 to February 2002 and from March 2002 to November 2006, Mr. Zhou worked as an associate in Beijing Weiheng Law Firm (北京市煒衡律師事務所) and Beijing Saide Tianqin Law Firm* (北京市賽德天勤律師事務所), respectively, both located in Beijing, China. Mr. Zhou started as an associate at Beijing City Zhong Zhou Law Firm* (北京市中洲律師事務所), a law firm located in Beijing, China, in November 2006 and is currently a senior partner of the law firm.

Mr. Zhou obtained a bachelor's degree in materials engineering from Jiangxi University of Science and Technology (江西理工大學) (formerly known as Nanfang Yejin College (南方冶金學院)) in the PRC in June 1995. He also obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1999. He further obtained a master's degree in business administration from Peking University (北京大學) in the PRC in July 2013.

Disclosure required pursuant to Rule 13.51(2) of the Listing Rules

Our Directors were directors of the following companies prior to their respective dissolution. Our Directors confirmed that the companies were solvent and inactive at the time of their dissolution and that their dissolution had not resulted in any liability or obligation against them. The following are details of the aforementioned dissolved companies:

Relevant Directors	Name of Company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Zhang Huiqi (張惠琪)	Qingdao Zhengshang Building Co., Ltd.* (青島正商藥房有限公司)	PRC	Real estate development and operation	11 March 2013	Deregistration
Zhang Huiqi (張惠琪)	Henan Zhengshang Architectural Design Co., Ltd.* (河南正商建築設計有限公司)	PRC	Architectural design	18 December 2013	Deregistration
Zhang Huiqi (張惠琪)	Henan Shangyang Construction Engineering Co., Ltd.* (河南上陽建築工程有限公司)	PRC	Building construction	18 February 2014	Deregistration

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Relevant Directors	Name of Company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Wang Jinhu (王金虎)	Zhongmou Shangzheng Real Estate Co., Ltd.* (中牟尚正置業 有限公司)	PRC	Real estate development and sales	28 September 2016	Deregistration
Feng Zhidong (馮志東)	Ascent International Industrial Limited (裕昇 國際實業有限公 司)	Hong Kong	Investment holding	27 July 2012	Deregistration
Feng Zhidong (馮志東)	Crownwo Investments Limited (光和 投資有限公司)	Hong Kong	Investment holding	14 September 2012	Deregistration
Feng Zhidong (馮志東)	General Line Investment Limited (俊昇 投資有限公司)	Hong Kong	Investment holding	6 July 2012	Deregistration
Feng Zhidong (馮志東)	Guangzhou Hong Kong Management Training Centre Limited (穗港管理人員 培訓中心有限公 司)	Hong Kong	Investment holding	2 April 2015	Deregistration
Feng Zhidong (馮志東)	Leader Power Limited (立景有限公司)	Hong Kong	Investment holding	5 April 2012	Deregistration
Feng Zhidong (馮志東)	Multi Union (HK) Limited (協聯 (香港)有限公司)	Hong Kong	Investment holding	22 June 2012	Deregistration
Feng Zhidong (馮志東)	Profit Life Limited (潤生有限公司)	Hong Kong	Investment holding	5 April 2012	Deregistration
Feng Zhidong (馮志東)	Yue Xiu (Pacific) Limited (越秀(太平洋)有 限公司)	Hong Kong	Investment holding	5 April 2012	Deregistration
Feng Zhidong (馮志東)	Zhu Jiang (Hong Kong) International Tour Company Limited (新廣州 (香港)國際旅遊 有限公司)	Hong Kong	Investment holding	22 August 2014	Deregistration

Save as disclosed in the section headed “Statutory and general information – Further information about our Directors and Substantial Shareholders” set out in Appendix V to this prospectus, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO.

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Save as disclosed above, none of our Directors has been a director of any public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Save as disclosed above, none of our Directors (i) is personally related to any of our Directors, senior management, Controlling Shareholders or Substantial Shareholders of our Company; (ii) hold any other position with our Company or other members of our Group.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management consists of four members, who, together with our Directors, are responsible for the day-to-day management and operation of our Group.

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position in our Group	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Zhang Yong (張勇)	37	March 2015	March 2015	Deputy general manager	Responsible for our Group's financing activities and capital operation	None
Ms. Guo Hong (郭紅)	46	January 2016	January 2016	Deputy general manager	Responsible for our Group's daily operations	None
Mr. Luo Shudan (羅書丹)	44	October 2016	October 2016	Assistant to general manager	Responsible for the overall management of our property management services and property engineering services	None
Mr. Xiang Zheng (相征)	34	June 2015	June 2015	Assistant to general manager	Responsible for the overall management of projects	None

Mr. Zhang Yong (張勇), aged 37, joined our Group in March 2015 and is primarily responsible for our Group's financing activities and capital operation.

Mr. Zhang has over 7 years of experience in the real estate and property management industry. Mr. Zhang served as an executive director and general manager of Xingye IOT Management from March 2015 to April 2017. He was a secretary of the board of directors of Xingye IOT Management from May 2017 to September 2019. He has been a deputy general manager of Xingye IOT Management since May 2017. Prior to joining our Group, from August 2006 to April 2011, Mr. Zhang served as an engineer of Zhejiang Electric Power

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Company Jinshuitan Hydropower Plant* (浙江省電力公司緊水灘水力發電廠), which is principally engaged in hydroelectric power. From May 2011 to March 2013 and from April 2013 to March 2015, Mr. Zhang served as a specialist of capital operations and a manager of capital securities department, respectively, in Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), which is principally engaged in real estate development and operation. Since January 2016 and from July 2016 to November 2018, Mr. Zhang served as a supervisor in Henan Zhengshang Donghua Real Estate Co., Ltd.* (河南正商東華置業有限公司) and Henan Zhengshang Shangbin Real Estate Co., Ltd.* (河南正商尚濱置業有限公司), respectively, both of which are principally engaged in real estate development.

Mr. Zhang obtained a bachelor's degree in agricultural hydraulics engineering from North China University of Water Resources and Electric Power (華北水利水電學院) in the PRC in July 2004 and further obtained a master's degree in engineering from Wuhan University (武漢大學) in the PRC in June 2006.

Ms. Guo Hong (郭紅), aged 46, joined our Group in January 2016 and is primarily responsible for our Group's daily operations.

Ms. Guo has over 11 years of experience in the real estate and property management industry. Ms. Guo served as a manager in the general administrative department of Xingye IOT Management from January 2016 to July 2017 and served as a supervisor from May 2017 to September 2019. She was also promoted to the position of supervisor in November 2017 in Wuxiang Intelligent. She has been a deputy general manager of Xingye IOT Management since August 2017. Prior to joining our Group, Ms. Guo served as a sales consultant and sales manager in Henan Minghui Real Estates Co., Ltd.* (河南省明輝置業有限公司), which is principally engaged in real estate development and operation, from May 1997 to September 1998 and from September 1998 to September 2000, respectively. From July 2001 to September 2004 and from September 2004 to September 2011, Ms. Guo served as an assistant to the general manager and deputy general manager, respectively, in Henan Runhua Shangwu Service Co., Ltd.* (河南潤華商務服務有限公司), which is principally engaged in housing rental and business information consulting services. From May 2011 to December 2015, Ms. Guo served as a manager in the general department of Henan Jianzheng Real Estate Co., Ltd.* (河南建正房地產有限公司), which is principally engaged in real estate development and operation.

Ms. Guo obtained a bachelor's degree in labour economics management from Henan University of Economics and Law (河南財經政法大學) (formerly known as Henan College of Economics (河南財經學院)) in the PRC in December 1999.

Mr. Luo Shudan (羅書丹), aged 44, joined our Group in October 2016 and is primarily responsible for the overall management of our property management services and property engineering services.

Mr. Luo has over 10 years of experience in the property management and property engineering services industry. Mr. Luo has been serving as an engineering manager and an assistant to the general manager of Xingye IOT Management since October 2016. Prior to joining our Group, from October 1997 to May 2008, Mr. Luo served different positions (including supervisor of the department of general electrician) in Zhengzhou Jinlong Cement Co., Ltd.* (鄭州金龍水泥股份有限公司), which is principally engaged in cement production and sales. From May 2008 to July 2010 and from July 2010 to December 2012, Mr. Luo served as a hydropower engineer and manager of the engineering maintenance department, respectively, of Henan Shanshui Property Management Co., Ltd.* (河南山水物業管理有限公司), which is principally engaged in property management. From December 2012 to August 2013 and from August 2013 to January 2016, Mr. Luo served as an

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engineering manager and project manager for Project Olive City Urban Plaza, respectively, of Henan Yaxin Property Service Co., Ltd.* (河南亞新物業服務有限公司), which is principally engaged in property management.

Mr. Luo obtained a bachelor in law degree from The Communist Party of China Henan Provincial Party School* (中共河南省委黨校) in the PRC in December 2002. In addition, Mr. Luo obtained the certificate of speciality in engineering in the PRC granted by the Shaanxi Provincial Department of Human Resources and Social Security* (陝西省人力資源和社會保障廳) in August 2010.

Mr. Xiang Zheng (相征), aged 34, joined our Group in June 2015 and is primarily responsible for the overall management of projects.

Mr. Xiang served as a project manager of Xingye IOT Management from June 2015 to July 2018. He was promoted to the position of assistant to the general manager in July 2018. Prior to joining our Group, he was the administrative personnel and business service manager of Henan Runhua Business Service Co., Ltd.* (河南潤華商務服務有限公司), which is principally engaged in housing rental and business information consulting services from April 2010 to September 2012 and from September 2012 to November 2013, respectively.

Mr. Xiang obtained a bachelor's degree in economic management from Beijing Economic and Technological Research Institute (北京經濟技術研修學院) in the PRC in July 2010.

None of our senior management held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Lu Shuang (陸爽), aged 37, was appointed as our chief financial officer and company secretary in 17 September 2019. Ms. Lu joined our Group in September 2019 and is primarily responsible for supervising our Group's accounting and financial management.

Ms. Lu has over 10 years of experience in the accountancy industry. She was employed by the Nanjing office of Deloitte Touche Tohmatsu, an accounting firm, from July 2008 to April 2015 with her last position as an auditor in the audit and assurance department. Ms. Lu was seconded to the Birmingham office of Deloitte Touche Tohmatsu in the United Kingdom and served as an associate, a senior associate, an assistant manager and a manager in the audit and assurance practice from October 2009 to December 2010, from January 2011 to December 2011, from January 2012 to August 2013 and from September 2013 to April 2015, respectively. From May 2015 to August 2018, Ms. Lu served in Rolls-Royce Plc with her last position as an internal audit manager. From August 2018 to September 2019, she served as a deputy manager of the capital securities department of Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), which is principally engaged in real estate development and operation.

Ms. Lu obtained a bachelor's degree in finance from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2005 and a master's degree in accounting from Nanjing University (南京大學) in the PRC in June 2008. She was admitted as a member of the Institute of Chartered Accountants in England and Wales, a member of the Chinese Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants in November 2012, June 2012 and May 2019, respectively.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the Articles and the Listing Rules, we have established our Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

Our Company has established an Audit Committee on 7 February 2020 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely, Mr. Feng Zhidong, Mr. Zhou Sheng and Mr. Xu Chun.

Mr. Feng Zhidong has been appointed as the chairman of the Audit Committee and he possesses the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and implement the policies and procedures on the engagement of external auditors and make recommendations to our Board on the appointment, re-appointment and removal of external auditors.

Remuneration Committee

Our Company has established a Remuneration Committee on 7 February 2020 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Remuneration Committee consists of three members, namely Mr. Zhou Sheng, Mr. Feng Zhidong and Mr. Xu Chun. Mr. Zhou Sheng has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among others, to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company has established a Nomination Committee on 7 February 2020 with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of three members, namely Mr. Zhu Jie, Mr. Zhou Sheng and Mr. Xu Chun. Mr. Zhu Jie has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, among others, to review the structure, size, composition and diversity of our Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on matters relating to appointment and re-appointment of Directors.

BOARD DIVERSITY

Our Company recognises increasing diversity at our Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. On 7 February 2020, we have adopted the board diversity policy, pursuant to which, we will consider our Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, as well as our business model. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits on our Board.

Our Nomination Committee is delegated by our Board to be responsible for reviewing and ensuring the effectiveness and compliance with the board diversity policy. We will also disclose our board diversity policy and progress on achieving the objectives in our corporate governance report upon and after Listing.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that our Board should include a balanced composition of executive Director, non-executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with the Corporate Governance Code.

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 upon the Listing.

CODE PROVISION A.2.1. OF THE CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

However, we do not have a separate chairman and chief executive officer and Mr. Zhu is currently performing these two roles. With the extensive experience in the property management industry, Mr. Zhu is responsible for the overall management and strategic planning of our Group's business operation and is instrumental to our growth and business expansion since our establishment in 1999. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-caliber individuals. Our Board currently comprises one executive Director, three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Saved as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration in the form of director fees, salaries, discretionary bonus, contribution to pension schemes and other benefits in kind subject to applicable laws and regulations. The aggregate amount of remuneration (including director fees, salaries, discretionary bonuses, contribution to pension schemes and other benefits in kind) paid to our Directors for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively, were approximately RMB0.2 million, RMB1.0 million, RMB0.3 million and RMB0.2 million, respectively.

The aggregate amount of remuneration (including salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to the five highest paid individuals of our Group for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively, were approximately RMB0.6 million, RMB1.6 million, RMB1.1 million and RMB1.0 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

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 Group or as a compensation for loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any members of our Group.

Saved as disclosed as above, no payments have been paid or are payable by any members of our Group to our Directors or the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2020 is estimated to be approximately RMB0.5 million.

REMUNERATION POLICY

Our executive Director, non-executive Directors, independent non-executive 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 responsibilities of respective Directors and senior management 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 experience and qualifications as well as responsibilities of our Directors and senior management and the performance of our Group.

COMPLIANCE ADVISOR

We have appointed Zhongtai International Capital as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to apply the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to us in respect of unusual price movement and trading volume or other issues.

The term of this appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company upon Listing is as follows:

Authorised share capital:

Authorised share capital	HK\$
10,000,000,000 Shares	100,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid:

No. of Shares	HK\$
10,000 Shares in issue at the date of this prospectus	100
299,990,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,900
100,000,000 Shares to be issued pursuant to the Global Offering	1,000,000
400,000,000 Total	4,000,000

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid:

No. of Shares	HK\$
10,000 Shares in issue at the date of this prospectus	100
299,990,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,900
100,000,000 Shares to be issued pursuant to the Global Offering	1,000,000
15,000,000 Shares to be issued upon the exercise of the Over-allotment Option in full	150,000
415,000,000 Total	4,150,000

ASSUMPTION

The above tables assume that the Capitalisation Issue and the Global Offering have become unconditional and does not take into account of any Shares which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the paragraphs headed “General mandate to issue Shares” and “General mandate to repurchase Shares” below.

SHARE CAPITAL

RANKING

Our Shares, including Shares to be issued pursuant to the exercise of the Over-allotment Option, will rank *pari passu* in all respects with all other Shares currently in issue or to be issued, and in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than the right to participate in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 7 February 2020, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,990,000 Shares for allotment and issue to our Shareholders whose names appear on the register of members of our Company at the close of business on 6 March 2020 in proportion (as nearly as possible without involving fractions) to their then respective existing shareholdings in our Company. All the new Shares to be issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Global Offering – Conditions of the Global Offering” of this prospectus, 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 our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- (c) when such mandate is revoked, renewed or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information – Further information about our Group – 3. Resolutions of our Shareholders passed on 7 February 2020” set out in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Global Offering – Conditions of the Global Offering” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information – Further information about our Group – 5. Repurchase of Shares by our Company” in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- (c) when such mandate is revoked, renewed or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sections headed “Statutory and general information – Further information about our Group – 3. Resolutions of our Shareholders passed on 7 February 2020” and “Statutory and general information – Further information about our Group – 5. Repurchase of Shares by our Company” set out in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Under the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands company law” set out in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

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), each of the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

Name of Shareholder	Nature of interest/ capacity	Shares held immediately prior to completion of the Capitalisation Issue and the Global Offering		Shares held immediately following completion of the Capitalisation Issue and the Global Offering	
		Number of Shares or underlying Shares ^(Note 1)	Approximate percentage	Number of Shares or underlying Shares ^(Note 1)	Approximate percentage ^(Note 2)
Vistra Trust (BVI) Limited ^(Note 3)	Trustee of a trust	28,671,000 ^(L)	75.45%	226,350,000 ^(L)	56.59%
Glory Reach ^(Note 3)	Interest in controlled corporation	28,671,000 ^(L)	75.45%	226,350,000 ^(L)	56.59%
Fast Achieve ^(Note 3)	Interest in controlled corporation	28,671,000 ^(L)	75.45%	226,350,000 ^(L)	56.59%
Foison Amber Development ^(Note 3)	Beneficial owner	28,671,000 ^(L)	75.45%	226,350,000 ^(L)	56.59%
Ms. Zhang ^(Note 3)	Interest in controlled corporation and protector/beneficiary of a trust	28,671,000 ^(L)	75.45%	226,350,000 ^(L)	56.59%
Eco-Victory ^(Note 4)	Beneficial owner	9,329,000 ^(L)	24.55%	73,650,000 ^(L)	18.41%

Notes:

- The letter "L" denotes the person's long position in our Shares.
- The calculation is based on the total number of 400,000,000 Shares in issue after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised.
- 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang being the protector and Ms. Zhang and her descendants being the discretionary beneficiaries as at the Latest Practicable Date. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, Ms. Zhang as protector of the Blossom Trust is deemed to be interested in the Shares held by Foison Amber Development.
- Eco-Victory is owned by 91 individual shareholders, of which three individuals are directors of our Group, two individuals are senior management of our Group and two individuals are staff members of our Group immediately following completion of the Capitalization Issue and the Global Offering. The shareholding percentages of these 91 individual shareholders in Eco-Victory range from approximately 0.74% to 2.96%.

Save as disclosed herein, 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), have an interest or a short position in the Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or a short position in any Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in the circumstances at general meetings of any member of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial information as at and for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRSs. Potential investors should read the whole of the Accountants' Report set out in 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. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" of this prospectus.

OVERVIEW

Established in 1999, we are a reputable property management service provider in Henan Province with a particular focus on offering property management and value-added services for non-residential properties. According to the Savills Report, we were the fourth largest non-residential property management service provider in Henan Province in terms of GFA for properties under management in 2018, with our market share of approximately 0.6% in Henan Province in 2018. In 2019, we were ranked 67 among the Top 100 Property Management Companies in the PRC in terms of overall strength according to the CIA and the China Real Estate Top 10 Research Team. Our portfolio of properties under management expanded rapidly during the Track Record Period, with the GFA increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our portfolio of properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate. In addition to the typical property management and value-added services, since 2017, we have started to provide property engineering services to our customers. Details of our two business segments are summarised as follows:

- *Property Management and Value-added Services* – We provide a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. For property management services, we charge our customers of our properties under management (e.g. property owners for sold properties and property developers for unsold properties) a property management fee for the provision of such property management services on a lump-sum basis, which is usually paid in advance semi-annually. For value-added services, we generally charge a fee which is payable when such value-added services are rendered.
- *Property Engineering Services* – We provide our customers with property engineering services which include planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems in order to enhance the quality of the property management systems of our customers. The time required and service fee charged for each individual project are based on the complexity and the scope of service required by our customer. The payment is generally due upon achieving certain milestones or successful completion of the projects.

FINANCIAL INFORMATION

During the Track Record Period, our GFA for properties under management increased from approximately 0.7 million sq.m. as at 31 December 2016 to approximately 2.1 million sq.m. as at 30 September 2019. As at the Latest Practicable Date, our GFA for properties under management was approximately 2.4 million sq.m. in aggregate. The total revenue of our Group increased significantly from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB131.0 million for the year ended 31 December 2018, representing a CAGR of approximately 66.4%. Our total revenue amounted to approximately RMB89.7 million and RMB127.3 million for the nine months ended 30 September 2018 and 2019, respectively. Our net profit increased significantly from approximately RMB11.5 million for the year ended 31 December 2016 to approximately RMB34.2 million for the year ended 31 December 2018, representing a CAGR of approximately 72.5%. Our net profit amounted to approximately RMB26.3 million and RMB28.1 million for the nine months ended 30 September 2018 and 2019, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

We cannot assure you that we can procure new property management agreements

According to the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)) which became effective from 1 January 2018, tender process is compulsorily required for bidding preliminary property management agreements for non-residential properties and residential properties. The selection of a property management company depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management company. After the implementation of the abovementioned regulation, we procure all of our preliminary property management service engagements from property developers through standard public tender procedures regulated by applicable PRC laws and regulations.

As for property management agreements, a public bidding process is also required for engaging property service providers for services over a designated amount in relation to non-residential properties owned by the PRC government or agencies, institutions or organisations according to the Government Procurement Law of the PRC (《政府採購法》) and relevant laws and regulations. Save as disclosed in the table referred to in the section headed “Business – Property management and value-added services – Tender process”, all of our projects under property management agreements in relation to government procurement were obtained through tender process as required under the relevant laws and regulations.

We cannot assure you that we will be able to procure new property management agreements through tender process in the future in acceptable terms or at all.

Our future growth will depend on the prospect of Zensun Group, as a significant portion of our revenue is derived from property management services and property engineering services we provide in relation to properties developed by Zensun Group

During or before the Track Record Period, a significant portion of our property management agreements related to the management of properties were developed by Zensun Group and all of our property engineering agreements related to installation of systems for properties, were developed by Zensun Group. The prospect of Zensun Group may affect our future growth, in particular, any adverse development in the operations of Zensun Group or its ability to develop new properties may affect our ability to procure new property management agreements or property engineering agreements. If we are not able to supplement any shortfall in business from properties developed by Zensun Group with business from properties developed by independent property developers, our growth prospects may be materially and adversely affected.

FINANCIAL INFORMATION

Termination or non-renewal of our preliminary property management agreements or property management agreements

Our property management services are provided in accordance with preliminary property management agreements we enter into with property developers or property management agreements we enter into with the property owners. According to the Regulations on Property Management (《物業管理條例》), the agreements normally run until their expirations or until the relevant property owners' association for the building is established where a new property management agreement is entered into by a property management company and the relevant property owners' association. Under the Regulations of Henan Province on Property Management (2017) (《河南省物業管理條例》(2017)), a general meeting of property owners may be convened to consider whether to continue to engage the same property management company or change to another one, and can authorise the property owners' association to enter into a property management agreement that is binding on all property owners in replacing the preliminary property management agreement. There is no assurance that the relevant general meeting of the property owners once convened, will decide to enter into property management agreements with us instead of another property management company. Once the property owners' associations enter into property management agreements with another company instead of our Group, our preliminary property management agreements automatically terminate.

Fluctuation in labour costs

Labour costs mainly comprise subcontracting costs and staff costs. Our subcontracting costs and staff costs constituted a substantial portion of our cost of sales. Subcontracting costs and staff costs in our cost of sales amounted to approximately RMB20.3 million, RMB32.9 million, RMB45.5 million and RMB49.3 million, representing approximately 81.2%, 86.8%, 66.2% and 71.8% of our total cost of sales for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. In addition, our staff costs also constituted a substantial portion of our administrative expenses. Staff costs in our administrative expenses amounted to approximately RMB4.3 million, RMB5.5 million, RMB9.5 million and RMB7.4 million, representing approximately 68.3%, 46.8%, 55.1% and 35.9% of our total administrative expenses for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

The property management industry and property engineering industry are labour intensive industries and the supply of experienced personnel in these industries is limited. We cannot assure you that we will be able to control our costs or improve our efficiency or successfully pass the cost impact to the property management fees and property engineering service fees charged by us to maintain our profitability. As a result, any fluctuation in labour costs could have a significant impact on our Group's profitability.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2018 and 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarification to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. These financial statements have been prepared under the historical cost convention. Our Directors confirmed that there would be no significant impact on our financial position and performance if IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 18 *Revenue* and IAS 17 *Leases* instead of IFRS 9 *Financial Instruments*,

FINANCIAL INFORMATION

IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* had been applied. Our Directors also confirmed that the adoption of IFRS 16 *Leases* did not have significant impact on our key financial ratios and the financial position and performance of our Group during the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019 present the assets and liabilities of the companies now comprising our Group, measured at their historical carrying amounts prior to the Reorganisation. All intra-group transactions and balances within our Group are eliminated on combination.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this prospectus are based on the consolidated financial information prepared in accordance with the significant accounting policies set out in note 2.4 to the Accountants' Report in Appendix I to this prospectus.

The preparation of our Group's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services or goods provided in the ordinary course of our Group's activities. Revenue is shown net of taxes. Our Group recognises revenue when specific criteria have been met for each of our Group's activities as set out in note 2.4 to the Accountants' Report in Appendix I to this prospectus:

(a) **Property management and value-added services**

For property management services, our Group bills a fixed amount in advance on a semi-annually basis for provision of our services and revenue is recognised over the service period on a straight-line basis because our customer simultaneously receives and consumes the benefits provided by our Group.

For value-added services, revenue is recognised at a point in time when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to our customer.

(b) **Property engineering services**

Revenue from the provision of property engineering services is recognised over time using an input method to measure progress towards complete satisfaction of the services, because our Group's performance does not create an asset with an alternative use to our Group and we have an enforceable right to payment for performance completed to date. The input method recognises revenue based on the proportion of the actual costs incurred in relation to the estimated total costs for satisfaction of the property engineering services.

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(c) Ancillary food supply services

Revenue from ancillary food supply services are recognised at point in time when control of the goods is transferred to our customer, generally on the acceptance of the goods by our customer.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to our customer. If we perform by transferring goods or services to a customer before our customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Lease liabilities

At the commencement date of the lease, we recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group and payments of penalties for terminating a lease, if the lease term reflects our Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, our Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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An assessment is made at the end of each of the reporting periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Significant accounting estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Provision for expected credit losses (“ECLs”) on trade receivables and contract assets

Our Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating). The provision matrix is initially based on our Group’s historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on our Group’s trade receivables and contract assets is disclosed in note 19 and note 20 of the Accountants’ Report in Appendix I to this prospectus, respectively.

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SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Results of operations

The following table sets out the consolidated results of our Group for each of the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019, which are derived from, and should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended 31 December			For the nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Revenue	47,276	76,068	131,046	89,693	127,296
Cost of sales	(24,968)	(37,862)	(68,755)	(45,424)	(68,705)
Gross profit	22,308	38,206	62,291	44,269	58,591
Other income and gains	131	882	1,905	1,810	741
Administrative expenses	(6,253)	(11,719)	(17,321)	(10,384)	(20,615)
Selling and marketing expenses	(833)	(970)	(1,349)	(744)	(1,008)
Finance costs	(34)	(56)	(68)	(51)	(50)
Profit before tax	15,319	26,343	45,458	34,900	37,659
Income tax expense	(3,833)	(7,064)	(11,238)	(8,604)	(9,541)
Profit for the year/period ...	11,486	19,279	34,220	26,296	28,118

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was generated from (i) property management and value-added services; (ii) property engineering services; and (iii) ancillary food supply services. The following table sets out the breakdown of our revenue by type of services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management and value-added services										
– Property management services	45,532	96.3	72,046	94.7	102,918	78.5	75,289	83.9	105,355	82.8
– Value-added services	1,744	3.7	4,022	5.3	4,562	3.5	3,518	4.0	6,435	5.0
Property engineering services ^(Note 1)	–	–	–	–	18,297	14.0	6,651	7.4	14,776	11.6
Ancillary food supply services ^(Note 2)	–	–	–	–	5,269	4.0	4,235	4.7	730	0.6
Total	47,276	100.0	76,068	100.0	131,046	100.0	89,693	100.0	127,296	100.0

Notes:

- Our Group commenced business in providing property engineering services in October 2017 and started to generate revenue during the year ended 31 December 2018.
- The revenue generated from ancillary food supply services consists of selling of agricultural products to the canteens of our customers. Our Directors confirmed that the last contract relating to our ancillary food supply services ended in August 2019.

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The following table sets out the breakdown of our revenue between Independent Third Parties and related parties for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Independent Third Parties	40,412	85.5	66,022	86.8	90,358	69.0	69,935	78.0	92,722	72.8
Related parties	6,864	14.5	10,046	13.2	40,688	31.0	19,758	22.0	34,574	27.2
Total	47,276	100.0	76,068	100.0	131,046	100.0	89,693	100.0	127,296	100.0

During the Track Record Period, our revenue derived from Independent Third Parties represented mainly the property management and value-added service fees received from property owners. Revenue derived from related parties represented mainly the property management and value-added service fees, property engineering service fees and ancillary food supply service fees received from Zensun Group.

Property management and value-added services

During the Track Record Period, majority of our revenue was generated from property management and value-added services in Zhengzhou, Henan Province, which amounted to approximately RMB47.3 million, RMB76.1 million, RMB107.5 million and RMB111.8 million, respectively, representing 100.0%, 100.0%, approximately 82.0% and 87.8% of our total revenue for the same periods, respectively. We charge our property management fees on a lump-sum basis which are usually paid in advance semi-annually. Our Directors believe that lump-sum basis provides the incentives for property management companies to implement costs saving measures and improve efficiency of business operation. The property management fees we charge are mainly affected by the scope and quality of services to be provided to the property owners and occupiers of the properties. We typically charge the value-added service fees when such services are rendered to our customers. The fees for value-added services were also mainly affected by the scope and quality of our services.

The revenue generated from our property management and value-added services increased during the Track Record Period. Such increase was primarily attributable to the increase in our GFA for properties under management as a result of expansion of our portfolio of properties under management. As at 31 December 2016, 2017 and 2018 and 30 September 2019, our GFA for properties under management were approximately 0.7 million sq.m., 1.2 million sq.m., 1.6 million sq.m. and 2.1 million sq.m., respectively. The following table sets out the breakdown of GFA for our properties under management by type of properties as at the dates indicated:

	As at 31 December						As at 30 September			
	2016		2017		2018		2018		2019	
	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%	(sq.m.)	%
Commercial building	614,736	88.7	1,099,123	90.2	1,505,948	93.2	1,480,859	93.1	1,985,008	94.2
School	59,276	8.6	59,276	4.9	-	-	-	-	-	-
Governmental building ..	19,200	2.7	59,253	4.9	109,033	6.8	109,033	6.9	121,144	5.8
Total	693,212	100.0	1,217,652	100.0	1,614,981	100.0	1,589,892	100.0	2,106,152	100.0

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The following table sets out the breakdown of our revenue generated from providing property management services by type of properties and value-added services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management services										
– Commercial building	44,436	94.0	67,068	88.2	94,935	88.3	69,675	88.4	98,070	87.7
– School	541	1.1	570	0.7	84	0.1	84	0.1	–	–
– Governmental building	555	1.2	4,408	5.8	7,899	7.4	5,530	7.0	7,285	6.5
	45,532	96.3	72,046	94.7	102,918	95.8	75,289	95.5	105,355	94.2
Value-added services	1,744	3.7	4,022	5.3	4,562	4.2	3,518	4.5	6,435	5.8
Total	47,276	100.0	76,068	100.0	107,480	100.0	78,807	100.0	111,790	100.0

For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, majority of our revenue from property management and value-added services were derived from property management services for commercial buildings, which amounted to approximately RMB44.4 million, RMB67.1 million, RMB94.9 million and RMB98.1 million, representing approximately 94.0%, 88.2%, 88.3% and 87.7% of total revenue from our property management and value-added services, respectively. Such increase in revenue in respect of property management services for commercial buildings was in line with the increase in GFA for properties under management for commercial building during the Track Record Period. During the Track Record Period, all commercial buildings under our management were developed by Zensun Group, whereas all schools and governmental buildings under our management were developed by independent property owners. As at the Latest Practicable Date, we had a total of 17 commercial buildings, three governmental buildings and one industrial park under our management with an aggregate GFA amounting to approximately 2.4 million sq.m.

Property engineering services

We charge our property engineering service fees mainly based on the complexity and scope of service required by our customer. The payment is generally due upon achieving certain milestones or successful completion of the project. For the year ended 31 December 2018 and the nine months ended 30 September 2019, our revenue from property engineering services amounted to approximately RMB18.3 million and RMB14.8 million, representing approximately 14.0% and 11.6% of our total revenue, respectively. As at 31 December 2018 and 30 September 2019, there were a total number of existing agreements of 16 and 39, respectively.

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Cost of sales

Our Group's cost of sales mainly consisted of subcontracting costs, staff costs and materials and consumables. The following table sets out the breakdown of our cost of sales for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Subcontracting costs	14,697	58.9	22,087	58.3	32,159	46.8	24,849	54.7	38,384	55.9
Staff costs	5,576	22.3	10,808	28.5	13,352	19.4	9,251	20.4	10,957	15.9
Utilities	2,854	11.4	2,829	7.5	2,608	3.8	1,956	4.3	3,294	4.8
Repairs & maintenance ...	1,224	4.9	1,574	4.2	2,214	3.2	1,081	2.4	4,125	6.0
Materials and consumables	–	–	–	–	17,717	25.8	7,706	16.9	10,991	16.0
Others	617	2.5	564	1.5	705	1.0	581	1.3	954	1.4
Total	24,968	100.0	37,862	100.0	68,755	100.0	45,424	100.0	68,705	100.0

Subcontracting costs

Subcontracting costs referred to the expenses paid to our subcontractors who provided us with labour force for services such as security, cleaning, greening and gardening services. Our Directors confirm that all of our subcontractors are Independent Third Parties. Subcontracting costs was the largest cost component during the Track Record Period and accounted for approximately 58.9%, 58.3%, 46.8% and 55.9% of our cost of sales for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

Staff costs

Staff costs constituted one of our Group's major cost components during the Track Record Period. Staff costs mainly consist of salaries, bonus, benefits, social insurance, housing provident fund paid for our property management and property engineering staff. Staff costs accounted for approximately 22.3%, 28.5%, 19.4% and 15.9% of our cost of sales for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

Materials and consumables

Materials and consumables referred to the materials and consumables for our property engineering services and ancillary food supply services. We started to recognise revenue from our property engineering services and ancillary food supply services in 2018, and since then materials and consumables became one of our major cost components. Materials and consumables accounted for approximately 25.8% and 16.0% of our cost of sales for the year ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

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Gross profit and gross profit margin

Gross profit represented our revenue less cost of sales. Our gross profit margin represented our gross profit as a percentage of our revenue. During the Track Record Period, our gross profit was approximately RMB22.3 million, RMB38.2 million, RMB62.3 million and RMB58.6 million, respectively, whereas our gross profit margins were approximately 47.2%, 50.2%, 47.5% and 46.0%, respectively. The following table sets out a breakdown of our gross profit and gross profit margin by type of services for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management and value-added services	22,308	47.2	38,206	50.2	57,602	53.6	41,731	53.0	55,056	49.2
Property engineering services ^(Note 1)	-	-	-	-	4,469	24.4	1,590	23.9	3,583	24.2
Ancillary food supply services ^(Note 2)	-	-	-	-	220	4.2	948	22.4	(48)	(6.6)
Total	22,308	47.2	38,206	50.2	62,291	47.5	44,269	49.4	58,591	46.0

Notes:

- Our Group commenced business in providing property engineering services in October 2017 and started to generate revenue during the year ended 31 December 2018.
- The revenue generated from ancillary food supply services consists of selling of agricultural products to the canteens of our customers. Our Directors confirmed that the last contract relating to our ancillary food supply services ended in August 2019.

During the Track Record Period, our overall gross profit had been on an increasing trend which was generally in line with the growing trend of our total revenue resulting from our business expansion. Our overall gross profit margin increased from approximately 47.2% for the year ended 31 December 2016 to approximately 50.2% for the year ended 31 December 2017, and the increase was driven by the growth of our property management and value-added services. The decrease in our overall gross profit margin from approximately 50.2% for the year ended 31 December 2017 to approximately 47.5% for the year ended 31 December 2018 was mainly contributed by the recognition of revenue from our property engineering services which generally has a lower gross profit margin as compared to our property management and value-added services. The slight decrease in our overall gross profit margin from approximately 47.5% for the year ended 31 December 2018 to approximately 46.0% for the nine months ended 30 September 2019 was mainly due to the decrease in gross profit margin from our property management and value-added services.

Despite that staff costs in Zhengzhou, Henan Province had been on the rise and our Group's average property management fee remained relatively stable during the Track Record Period, our gross profit margin of property management and value-added services had generally been on an increasing trend. Our gross profit margin of property management and value-added services increased from approximately 47.2% for the year ended 31 December 2016 to approximately 50.2% for the year ended 31 December 2017, and increase to approximately 53.6% for the year ended 31 December 2018. The continuous increase was primarily due to (i) the effect of economies of scale resulting from continuous

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expansion of portfolio of properties under management in close proximity which allows us to better allocate our resources hence lower our labour costs; (ii) the significant increase in proportion of GFA of commercial buildings under our management from where we generally charged a higher property management fee; and (iii) the adoption of information technology to enhance our operation standardisation and automation resulting in increased operational efficiency. The slight decrease in gross profit margin from approximately 53.6% for the year ended 31 December 2018 to approximately 49.2% for the nine months ended 30 September 2019 was mainly attributable to the fact that under the lump-sum basis revenue model, we bore repair and maintenance expenses of approximately RMB2.7 million for Jianzheng Dongfang Centre (建正東方中心) for the nine months ended 30 September 2019.

Our property engineering services generally has a lower gross profit margin as compared to our property management and value-added services, since the property engineering systems provided by us involved the costs of materials, hardware and components purchased from suppliers. For the year ended 31 December 2018 and the nine months ended 30 September 2019, our gross profit margin of property engineering services remained relatively stable at approximately 24.4% and 24.2%, respectively.

Our Group may or may not be able to maintain such a high gross profit margin going forward due to the following reasons: (i) change in the make-up of the portfolio of properties under management; (ii) the need to bear repair and maintenance expenses of properties under management after the warranty periods for building facilities provided by suppliers have expired; (iii) the effectiveness of managing the rising cost through various measures, such as adoption of information technology to enhance operation standardisation and automation resulting in increased operational efficiency; and (iv) the increase in labour and subcontracting costs in the PRC.

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

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Commercial building ⁽¹⁾	22,253	48.2	37,339	52.5	56,455	56.7	40,921	55.9	53,951	51.6
School ⁽²⁾	78	14.4	61	10.7	6	7.1	6	7.1	-	-
Governmental building ⁽²⁾	(23)	(4.1)	806	18.3	1,141	14.4	804	14.5	1,105	15.2
Total	22,308	47.2	38,206	50.2	57,602	53.6	41,731	53.0	55,056	49.2

Notes:

1. All the commercial buildings under our management are under preliminary property management agreements entered into with Zensun Group.
2. All the school and governmental buildings under our management are under property management agreements entered into with independent property owners.

School and governmental buildings generally have a lower gross profit margin compared to commercial buildings under our management. Our Directors consider that it is mainly due to (i) our limited track record in undertaking projects involving school and governmental buildings, hence we need to lower our tender price in order to enhance our chances of securing such projects; and (ii) projects involving school and governmental buildings generally have a limited budget allocated for their property management services

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and the installation of advanced technology will certainly exceed the available budget. Therefore, they tend to adhere to the basic amenities and tools for their property management services. As a result, in the absence of the advanced technology, additional staff and resources have to be deployed for these projects. Our Group recognised gross loss for governmental buildings for the year ended 31 December 2016 as the governmental building was the first one managed by our Group and we contributed more resources to ensure the quality of our services.

Sensitivity analysis on major items in cost of sales

The following tables set out a sensitivity analysis illustrating the impact of hypothetical fluctuations in subcontracting costs and staff costs on our gross profit during the Track Record Period. Fluctuations of our subcontracting costs and staff costs, both of which constitute mainly labour costs, are assumed to be within 16.9% for the three years ended 31 December 2018 and the nine months ended 30 September 2019, which is generally in line with the range of historical CAGR of the costs of labour of the Top 100 Property Management Companies in the PRC between 2013 and 2018 according to the Savills Report.

	For the year ended 31 December						For the nine months ended 30 September	
	2016		2017		2018		2019	
	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit
	RMB'000		RMB'000	RMB'000		RMB'000		RMB'000
Change in subcontracting costs								
+16.9%	(2,484)	(11.1%)	(3,733)	(9.8%)	(5,435)	(8.7%)	(6,487)	(11.1%)
+8.5%	(1,249)	(5.6%)	(1,877)	(4.9%)	(2,734)	(4.4%)	(3,263)	(5.6%)
-8.5%	1,249	5.6%	1,877	4.9%	2,734	4.4%	3,263	5.6%
-16.9%	2,484	11.1%	3,733	9.8%	5,435	8.7%	6,487	11.1%

	For the year ended 31 December						For the nine months ended 30 September	
	2016		2017		2018		2019	
	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit	Corresponding increase/ (decrease) in gross profit	Increase/ (decrease) in percentage in gross profit
	RMB'000		RMB'000	RMB'000		RMB'000		RMB'000
Change in staff costs								
+16.9%	(942)	(4.2%)	(1,827)	(4.8%)	(2,256)	(3.6%)	(1,852)	(3.2%)
+8.5%	(474)	(2.1%)	(919)	(2.4%)	(1,135)	(1.8%)	(931)	(1.6%)
-8.5%	474	2.1%	919	2.4%	1,135	1.8%	931	1.6%
-16.9%	942	4.2%	1,827	4.8%	2,256	3.6%	1,852	3.2%

Note: The sensitivity analysis above assumes that all other variables remain unchanged. This sensitivity analysis is intended for reference only. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact on changes in the relevant item of our cost of sales.

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Other income and gains

Other income and gains mainly consisted of government grants, interest income and other gains. The following table sets out the breakdown of our other income and gains for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Interest income	107	81.7	838	95.0	619	32.5	530	29.3	263	35.5
Other gains	24	18.3	44	5.0	6	0.3	-	-	478	64.5
Government grants	-	-	-	-	1,280	67.2	1,280	70.7	-	-
Total	131	100.0	882	100.0	1,905	100.0	1,810	100.0	741	100.0

Government grants represented the major component for our other income and gains for the year ended 31 December 2018, the government grants related to rewards granted to us for commencing quotation of Xingye IOT Management on the NEEQ successfully.

Administrative expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. The following table sets out the breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	4,272	68.3	5,484	46.8	9,546	55.1	7,249	69.8	7,411	35.9
Office expenses	1,071	17.1	1,827	15.6	1,540	8.9	984	9.5	1,827	8.9
Professional fees	183	2.9	1,261	10.8	1,060	6.1	438	4.2	9,062	44.0
Depreciation and amortisation	177	2.8	419	3.6	1,018	5.9	537	5.2	885	4.3
Impairment losses/(reversal of impairment)	142	2.3	(44)	(0.4)	235	1.4	22	0.2	15	0.1
Travelling expenses	96	1.5	91	0.8	269	1.6	148	1.4	277	1.3
Share-based payments ...	-	-	1,890	16.1	-	-	-	-	-	-
Research and development expenses ..	-	-	265	2.3	3,012	17.4	231	2.2	866	4.2
Others	312	5.1	526	4.4	641	3.6	775	7.5	272	1.3
Total	6,253	100.0	11,719	100.0	17,321	100.0	10,384	100.0	20,615	100.0

Staff costs

Staff costs represented salaries, bonus, benefits, social benefits, housing provident fund paid to our administrative staff at headquarters. It was the largest component of our administrative expenses which amounted to approximately RMB4.3 million, RMB5.5 million, RMB9.5 million and RMB7.4 million, representing approximately 68.3%, 46.8%, 55.1% and 35.9% of our administrative expenses for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

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Office expenses

Office expenses mainly included office expenses incurred at our headquarters. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our office expenses amounted to approximately RMB1.1 million, RMB1.8 million, RMB1.5 million and RMB1.8 million, representing approximately 17.1%, 15.6%, 8.9% and 8.9% of our administrative expenses, respectively. The higher office expenses for the years ended 31 December 2017 and 2018 reflected the fact that more office expenses were incurred to support our business expansion.

Professional fees

Professional fees were mainly related to legal consultancy fees, audit fees, expenses incurred for preparation for quotation of Xingye IOT Management on the NEEQ and listing expenses for the Listing. For each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, our professional fees amounted to approximately RMB0.2 million, RMB1.3 million, RMB1.1 million and RMB9.1 million, representing approximately 2.9%, 10.8%, 6.1% and 44.0% of our administrative expenses, respectively. The higher professional fees incurred for the nine months ended 30 September 2019 was primarily attributable to the expenses incurred for the Listing.

Share-based payments

Share-based payments represented expenses recognised in relation to the capital contribution to Xingye IOT Management made by Haifeng Management, Qian Zhiyi Management and Zhuoneng Management (collectively the “**Three New Investors**”) in accordance with IFRS 2 *Share-based Payment*. In February 2017, Xingye IOT Management had its registered capital increased from RMB10.0 million to RMB55.0 million, with cash contributions made by Zensun Development, the then sole shareholder of Xingye IOT Management, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management as to RMB31.5 million, RMB4.3 million, RMB4.7 million and RMB4.5 million, respectively. As certain partners of the Three New Investors were employees of our Group at the time of capital contribution, the capital contribution to Xingye IOT Management from the Three New Investors was lower than the fair value of the underlying equity interest as an incentive to these employees. These transactions were thus accounted for as equity-settled share-based payments in accordance with IFRS 2 *Share-based Payment*, and approximately RMB1.9 million was recognised as share-based payment expenses during the year ended 31 December 2017.

Selling and marketing expenses

Our selling and marketing expenses primarily included marketing expenses and staff costs for our marketing personnel. The following table sets out the breakdown of our selling and marketing expenses for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Marketing expenses	491	58.9	402	41.4	430	31.9	307	41.3	139	13.8
Staff costs	297	35.7	484	49.9	915	67.8	433	58.2	797	79.1
Others	45	5.4	84	8.7	4	0.3	4	0.5	72	7.1
Total	833	100.0	970	100.0	1,349	100.0	744	100.0	1,008	100.0

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Staff costs represented the major component for our selling and marketing expenses which amounted to approximately RMB0.3 million, RMB0.5 million, RMB0.9 million and RMB0.8 million, representing approximately 35.7%, 49.9%, 67.8% and 79.1% of our selling and marketing expenses for each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, respectively.

Finance costs

Our finance costs represented imputed interest expenses generated from using the incremental borrowing rate of our Group to discount lease payments under the leases to present value, which amounted to approximately RMB34,000, RMB56,000, RMB68,000 and RMB50,000 for each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, respectively.

Income tax expense

We are subject to income tax for profits generated by or derived from the jurisdictions where the members of our Group are domiciled or operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI. No provision for Hong Kong profits tax has been made as our Group has no assessable profits derived from or earned in Hong Kong. Pursuant to PRC Enterprise Income Tax Law and the respective regulations, except that Xingye Consulting enjoyed a preferential corporate tax rate during the year ended 31 December 2018 and the nine months ended 30 September 2019, the companies comprising our Group which operate in the PRC are subject to Enterprise Income Tax (“EIT”) at a rate of 25% on their taxable income. For further information on our income tax expense, please refer to note 10 to the Accountants’ Report in Appendix I to this prospectus.

For each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, our income tax expense were approximately RMB3.8 million, RMB7.1 million, RMB11.2 million and RMB9.5 million, respectively. During the Track Record Period, our effective tax rate was approximately 25.0%, 26.8%, 24.7% and 25.3%, respectively. Our effective tax rates during the Track Record Period were generally in line with EIT of 25%. During the Track Record Period and as at the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our total revenue increased by approximately RMB28.8 million or 60.9% from approximately RMB47.3 million for the year ended 31 December 2016 to approximately RMB76.1 million for the year ended 31 December 2017. Such increase was contributed by the increase in revenue from property management and value-added services, which was mainly due to the combined effect of (i) the increase in the number of properties under management from eight projects as at 31 December 2016 to 13 projects as at 31 December 2017, namely (1) Zensun Cheng He Yuan Square (正商城和園廣場); (2) Property B – Governmental Building; (3) Zensun Jiashi Pavilion (正商佳仕閣); (4) Zensun Huanhu International (正商環湖國際); and (5) Zensun Muhua Square (正商木華廣場), with an aggregate GFA of approximately 0.5 million sq.m.; (ii) there were two projects which started to derive revenue in mid or late 2016, resulted in only half year effect or less on the revenue in 2016, but the revenue generated from these projects was fully reflected in 2017; and (iii)

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the decrease in GFA of unsold properties under management after property delivery, where the property management fee of unsold property is typically 50% of the property management fee derived from sold property, which resulted in an increase in our property management fee.

Cost of sales

We recorded an increase in cost of sales of approximately RMB12.9 million or 51.6% from approximately RMB25.0 million for the year ended 31 December 2016 to approximately RMB37.9 million for the year ended 31 December 2017. The increase was primarily attributable to the increase in subcontracting costs and staff costs as a result of business expansion. Such increase was generally in line with our growth in revenue for the year.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB15.9 million or 71.3% from approximately RMB22.3 million for the year ended 31 December 2016 to approximately RMB38.2 million for the year ended 31 December 2017. Our gross profit margin increased from approximately 47.2% for the year ended 31 December 2016 to approximately 50.2% for the year ended 31 December 2017.

Other income and gains

Our other income and gains increased by approximately RMB751,000 or 573.3% from approximately RMB131,000 for the year ended 31 December 2016 to approximately RMB882,000 for the year ended 31 December 2017. Such increase was contributed by the increase in interest income from our increased bank deposits.

Administrative expenses

Our administrative expenses increased by approximately RMB5.4 million or 85.7% from approximately RMB6.3 million for the year ended 31 December 2016 to approximately RMB11.7 million for the year ended 31 December 2017. Such increase was attributed by (i) the increase in the average total number of administrative staff at headquarters from 20 for the year ended 31 December 2016 to 41 for the year ended 31 December 2017; (ii) the recognition of share-based payments amounted to approximately RMB1.9 million in relation to capital contribution made by Haifeng Management, Qian Zhiyi Management and Zhuoneng Management in February 2017; and (iii) the recognition of professional fees in relation to the quotation on the NEEQ amounted to approximately RMB0.7 million.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.2 million or 25.0% from approximately RMB0.8 million for the year ended 31 December 2016 to RMB1.0 million for the year ended 31 December 2017. Such increase was driven by the increase in average total number of staff in our marketing development department from two for the year ended 31 December 2016 to four for the year ended 31 December 2017 as a result of business expansion, which led to the increase in staff costs for the marketing development staff. Such increase was partially offset by the decrease in marketing expenses of approximately RMB89,000.

Finance costs

Our finance costs increased by approximately RMB22,000 or 64.7% from approximately RMB34,000 for the year ended 31 December 2016 to approximately RMB56,000 for the year ended 31 December 2017.

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Income tax expense

Our income tax expense increased by approximately RMB3.3 million or 86.8% from approximately RMB3.8 million for the year ended 31 December 2016 to approximately RMB7.1 million for the year ended 31 December 2017, which was in line with the growth in profit before tax for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB7.8 million or 67.8% from approximately RMB11.5 million for the year ended 31 December 2016 to approximately RMB19.3 million for the year ended 31 December 2017.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our total revenue increased by approximately RMB54.9 million or 72.1% from approximately RMB76.1 million for the year ended 31 December 2017 to approximately RMB131.0 million for the year ended 31 December 2018. Such increase was primarily due to the combined effect of the increase in revenue from our property management and value-added services of approximately RMB31.4 million and recognition of revenue from our property engineering services of approximately RMB18.3 million.

Property management and value-added services. Our revenue from property management and value-added services increased by approximately RMB31.4 million or 41.3% from approximately RMB76.1 million for the year ended 31 December 2017 to approximately RMB107.5 million for the year ended 31 December 2018. This increase was primarily due to (i) the increase in the number of properties under management from 13 projects as at 31 December 2017 to 16 projects as at 31 December 2018, among which we commenced to provide property management and value-added services to four projects, namely (1) Zensun Huidu Centre (正商匯都中心); (2) Zensun Jingkai Square (正商經開廣場); (3) Zhengzhou People's Procuratorate (鄭州市人民檢察院); and (4) Zensun Boya Square (正商博雅廣場), with an aggregate GFA of approximately 0.5 million sq.m.; (ii) there were four projects which started to derive revenue in or around mid-2017, resulted in only half year effect on the revenue in 2017, but the revenue generated from these projects was fully reflected in 2018; and (iii) the decrease in GFA of unsold properties under management after property delivery, where the property management fee of unsold property is typically 50% of the property management fee derived from sold property, which resulted in an increase in our property management fee.

Property engineering services. We started to derive revenue from our property engineering services in 2018 which supplemented our property management services and generated revenue of approximately RMB18.3 million for the year ended 31 December 2018.

Ancillary food supply services. We commenced sales of agricultural products to the canteens of our customers and generated revenue of approximately RMB5.3 million for the year ended 31 December 2018.

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Cost of sales

We recorded an increase in cost of sales of approximately RMB30.9 million or 81.5% from approximately RMB37.9 million for the year ended 31 December 2017 to approximately RMB68.8 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) the increase in subcontracting costs and staff costs as a result of the increase in the number of properties under management which required additional staff and provision of services from our subcontractors; and (ii) the increase in material and consumable costs and subcontracting costs incurred for our property engineering services.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB24.1 million or 63.1% from approximately RMB38.2 million for the year ended 31 December 2017 to approximately RMB62.3 million for the year ended 31 December 2018. Our gross profit margin decreased from approximately 50.2% for the year ended 31 December 2017 to approximately 47.5% for the year ended 31 December 2018.

Other income and gains

Our other income and gains increased by approximately RMB1.0 million or 111.1% from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018. Such increase was mainly contributed by the recognition of government grants related to the rewards granted to us for commencing quotation of Xingye IOT Management on the NEEQ successfully.

Administrative expenses

Our administrative expenses increased by approximately RMB5.6 million or 47.9% from approximately RMB11.7 million for the year ended 31 December 2017 to approximately RMB17.3 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the increase in average number of administrative staff at headquarters from 41 for the year ended 31 December 2017 to 52 for the year ended 31 December 2018 and the increase in average salary of administrative staff, which led to the increase in staff costs; and (ii) the increase in research and development expenses mainly incurred in respect of our property engineering business. Such increase was partially offset by the absence of share-based payments and decrease in office expenses and professional fees in 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.3 million or 30.0% from approximately RMB1.0 million for the year ended 31 December 2017 to approximately RMB1.3 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in average number of staff in our marketing development department from four for the year ended 31 December 2017 to six for the year ended 31 December 2018 as a result of business expansion, which led to the increase in staff costs for the marketing development staff.

Finance costs

Our finance costs increased slightly by approximately RMB12,000 or 21.4% from approximately RMB56,000 for the year ended 31 December 2017 to approximately RMB68,000 for the year ended 31 December 2018.

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Income tax expense

Our income tax expense increased by approximately RMB4.1 million or 57.7% from approximately RMB7.1 million for the year ended 31 December 2017 to approximately RMB11.2 million for the year ended 31 December 2018, which was generally in line with the growth in profit before tax for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB14.9 million or 77.2% from approximately RMB19.3 million for the year ended 31 December 2017 to approximately RMB34.2 million for the year ended 31 December 2018.

Nine months ended 30 September 2019 compared to nine months ended 30 September 2018

Revenue

Our total revenue increased by approximately RMB37.6 million or 41.9% from approximately RMB89.7 million for the nine months ended 30 September 2018 to approximately RMB127.3 million for the nine months ended 30 September 2019. Such increase was attributable to the combined effect of the increase in revenue from property management and value-added services of approximately RMB33.0 million and the increase in revenue from property engineering services of approximately RMB8.1 million which were slightly offset by the decrease in revenue from ancillary food supply services of approximately RMB3.5 million.

Property management and value-added services. Our revenue from property management and value-added services increased by approximately RMB33.0 million or 41.9% from approximately RMB78.8 million for the nine months ended 30 September 2018 to approximately RMB111.8 million for the nine months ended 30 September 2019. This increase was primarily due to (i) the increase in the number of properties under management from 15 projects as at 30 September 2018 to 19 projects as at 30 September 2019, namely (1) Zensun Boya Square (正商博雅廣場); (2) Zensun Huaxiang International Building (正商華祥國際大廈); (3) Zensun Cheng Xi Yuan Court No. 2 (正商城禧園2號院); and (4) Zensun Huazuan Huijing Court No. 2 (正商華鑽匯景2號院) with an aggregate GFA of approximately 0.5 million sq.m.; and (ii) the decrease in GFA of unsold properties under management after property delivery, where the property management fee of unsold property is typically 50% of the property management fee derived from sold property, which resulted in an increase in our property management fee.

Property engineering services. Our revenue from property engineering services increased by approximately RMB8.1 million or 120.9% from approximately RMB6.7 million for the nine months ended 30 September 2018 to approximately RMB14.8 million for the nine months ended 30 September 2019. This increase was primarily due to the increase in number of revenue generating projects from four for the nine months ended 30 September 2018 to 20 for the nine months ended 30 September 2019.

Ancillary food supply services. Our revenue from ancillary food supply services decreased by approximately RMB3.5 million or 83.3% from approximately RMB4.2 million for the nine months ended 30 September 2018 to approximately RMB0.7 million for the nine months ended 30 September 2019. This decrease was primarily due to the fact that contracts which were entered into in 2018 had expired and only one contract was entered into during the nine months ended 30 September 2019. Our Directors confirmed that the last contract relating to our ancillary food supply services ended in August 2019.

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Cost of sales

We recorded an increase in cost of sales of approximately RMB23.3 million or 51.3% from approximately RMB45.4 million for the nine months ended 30 September 2018 to approximately RMB68.7 million for the nine months ended 30 September 2019. Such increase was in line with our growth in revenue for the period and was primarily due to the increase in the number of properties under management and the increase in number of revenue generating projects of our property engineering services which required additional provision of services from our subcontractors.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB14.3 million or 32.3% from approximately RMB44.3 million for the nine months ended 30 September 2018 to approximately RMB58.6 million for the nine months ended 30 September 2019. Our gross profit margin decreased from approximately 49.4% for the nine months ended 30 September 2018 to approximately 46.0% for the nine months ended 30 September 2019.

Other income and gains

Our other income and gains decreased by approximately RMB1.1 million or 61.1% from approximately RMB1.8 million for the nine months ended 30 September 2018 to approximately RMB0.7 million for the nine months ended 30 September 2019. Such decrease was mainly due to the fact that the government grants related to the rewards granted to us for commencing quotation of Xingye IOT Management on the NEEQ successfully were fully recognised during the nine months ended 30 September 2018.

Administrative expenses

Our administrative expenses increased by approximately RMB10.2 million or 98.1% from approximately RMB10.4 million for the nine months ended 30 September 2018 to approximately RMB20.6 million for the nine months ended 30 September 2019. Such increase was mainly attributed by (i) the increase in professional fees due to the recognition of listing expenses; and (ii) the increase in office expenses.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.3 million or 42.9% from approximately RMB0.7 million for the nine months ended 30 September 2018 to approximately RMB1.0 million for the nine months ended 30 September 2019. Such increase was driven by the increase in average number of staff in our marketing development department from seven for the nine months ended 30 September 2018 to nine for the nine months ended 30 September 2019, which led to the increase in staff costs for the marketing development staff.

Finance costs

Our finance costs remained relatively stable between the periods at approximately RMB51,000 for the nine months ended 30 September 2018 and approximately RMB50,000 for the nine months ended 30 September 2019.

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Income tax expense

Our income tax expense increased by approximately RMB0.9 million or 10.5% from approximately RMB8.6 million for the nine months ended 30 September 2018 to approximately RMB9.5 million for the nine months ended 30 September 2019, which was in line with the growth in profit before tax for the nine months ended 30 September 2019 as compared to the nine months ended 30 September 2018.

Profit for the period

As a result of the foregoing, our net profit for the period increased by approximately RMB1.8 million or 6.8% from approximately RMB26.3 million for the nine months ended 30 September 2018 to approximately RMB28.1 million for the nine months ended 30 September 2019.

DISCUSSION OF CERTAIN ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment of our Group primarily represented machinery and electronic equipment used in our headquarters and the management centres in our properties under management. The following table sets out the net book value of each type of property, plant and equipment of our Group as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	RMB'000
Electronic equipment and others . .	210	2,156	2,192	2,027
Machinery	112	119	106	96
Total	<u>322</u>	<u>2,275</u>	<u>2,298</u>	<u>2,123</u>

The increase in carrying amount of property, plant and equipment from 31 December 2016 to 30 September 2019 was mainly due to the purchase of electronic equipment and facilities for “Huiyan Technology Centre (慧眼科技中心)” amounting to approximately RMB1.2 million in 2017 and the purchase of other electronic equipment, such as computers and printers, in response to the increase in number of personnel in headquarters and expansion of portfolio of properties under management throughout the years.

Inventories

Our inventories primarily included materials for property engineering projects. Our inventories amounted to nil, nil, approximately RMB0.1 million and RMB0.4 million, as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. Such increase was mainly due to purchase of materials for the increasing number of our property engineering projects.

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Trade receivables

Our trade receivables mainly consisted of receivables arising from provision of property management and value-added services. The following table sets out the breakdown of our Group's trade receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties	8,016	2,901	5,955	12,299
Independent Third Parties	1,784	3,216	8,099	5,761
	9,800	6,117	14,054	18,060
Impairment	(142)	(98)	(248)	(250)
Total	<u>9,658</u>	<u>6,019</u>	<u>13,806</u>	<u>17,810</u>

Our trade receivables from related parties amounted to approximately RMB8.0 million, RMB2.9 million, RMB6.0 million and RMB12.3 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The decrease in trade receivables from related parties from approximately RMB8.0 million as at 31 December 2016 to approximately RMB2.9 million as at 31 December 2017 was primarily due to the prompt settlement of property management fees by Zensun Group for unsold properties under management. The increase in trade receivables from related parties from approximately RMB2.9 million as at 31 December 2017 to approximately RMB12.3 million as at 30 September 2019 was primarily attributable to the increase in outstanding property management fee generated from unsold properties under management, which was resulting from the increase in the newly commenced properties under management developed by Zensun Group during the Track Record Period. Our trade receivables from Independent Third Parties amounted to approximately RMB1.8 million, RMB3.2 million and RMB8.1 million as at 31 December 2016, 2017 and 2018, respectively. Such increase was primarily attributable to the increase in GFA for properties under management and the outstanding property management fees from property owners. The decrease in our trade receivables from Independent Third Parties from approximately RMB8.1 million as at 31 December 2018 to approximately RMB5.8 million as at 30 September 2019 was mainly contributed by the settlement of property management fees which were payable on a semi-annual basis.

Our loss allowance for impairment of trade receivables amounted to approximately RMB142,000, RMB98,000, RMB248,000 and RMB250,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The impairment analysis was performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on ageing for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). In determining the recoverability of trade receivables, we consider the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. During the Track Record Period, the expected credit loss rate on trade receivables due from Independent Third Parties were 2%, 5% and 10% of the trade receivables ageing within one year, one to two years and two to three years, respectively, whereas the expected credit loss rate on trade receivables due from Zensun Group were 1%, 2% and 4% of the trade receivables ageing within one year, one to two years and two to three years, respectively.

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As at the Latest Practicable Date, we had successfully collected approximately RMB15.6 million or 86.2% from the outstanding balance of our trade receivables (before provision for impairment) as at 30 September 2019. Approximately RMB12.1 million was received from related parties, representing approximately 67.1% of the outstanding balance of our trade receivables from related parties as at 30 September 2019, and approximately RMB3.5 million was received from Independent Third Parties, representing approximately 19.1% of the outstanding balance of our trade receivables from Independent Third Parties as at 30 September 2019.

The following table sets out an ageing analysis of our trade receivables, net of loss allowance, as at the dates indicated:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year				
– Related parties	5,303	2,324	4,308	11,252
– Independent Third Parties	1,748	3,152	7,937	5,646
1 to 2 years				
– Related parties	2,607	543	1,029	800
– Independent Third Parties	–	–	–	–
2 to 3 years				
– Related parties	–	–	532	112
– Independent Third Parties	–	–	–	–
Total	9,658	6,019	13,806	17,810

The following table sets out our trade receivable turnover days for the periods indicated:

	As at/for the year ended 31 December			As at/for the nine months ended 30 September
	2016	2017	2018	2019
<i>Overall</i>				
Average trade receivables (RMB'000) ^(Note 1)	6,231	7,959	10,086	16,057
Average contract assets ^(Note 2)	–	–	4,221	9,155
Trade receivable turnover days (days) ^(Note 3)	48	38	28	34
Trade receivable and contract asset turnover days ^(Note 4)	48	38	40	54
<i>Related parties</i>				
Average trade receivables (RMB'000) ^(Note 1)	5,339	5,459	4,428	9,127
Average contract assets ^(Note 2)	–	–	4,221	9,155
Trade receivable turnover days (days) ^(Note 3)	284	198	40	72
Trade receivable and contract asset turnover days ^(Note 4)	284	198	78	144
<i>Third parties</i>				
Average trade receivables (RMB'000) ^(Note 1)	892	2,500	5,658	6,930
Trade receivable turnover days (days) ^(Note 3)	8	14	23	20

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Notes:

1. Average trade receivables are calculated as gross trade receivables at the beginning of the period plus gross trade receivables at the end of the period, divided by two.
2. Average contract assets are calculated as contract assets before impairment at the beginning of the period plus contract assets before impairment at the end of the period, divided by two.
3. Average trade receivable turnover days for a period equal average trade receivables divided by revenue for the period and multiplied by (i) 365 days for the years ended 31 December 2016, 2017 and 2018; and (ii) 273 days for the nine months ended 30 September 2019.
4. Average trade receivable and contract asset turnover days for a period equal to average trade receivables and average contract assets divided by revenue for the period and multiplied by (i) 365 days for the years ended 31 December 2016, 2017 and 2018; and (ii) 273 days for the nine months ended 30 September 2019.

Our overall trade receivable turnover days were 48 days, 38 days, 28 days and 34 days for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. During the Track Record Period, our customers included related parties and third parties, whereas they had different settlement patterns for their trade debts. The analysis of trade receivable turnover days by type of customers is set out as follows:

Our trade receivables turnover days from related parties were 284 days, 198 days, 40 days and 72 days for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Our trade receivables turnover days from related parties were significantly longer than our trade receivables turnover days from third parties, which were mainly attributable to our less frequent collection of payment from related parties considering their lower risk of default. The general decreasing trend in our trade receivables turnover days from related parties from 284 days for the year ended 31 December 2016 to 40 days for the year ended 31 December 2018 was primarily due to the prompt settlement of property management fees by Zensun Group for unsold properties under management. Our trade receivables turnover days from related parties increased from 40 days for the year ended 31 December 2018 to 72 days for the nine months ended 30 September 2019, which was primarily due to the increase in outstanding property management fees by Zensun Group for unsold properties resulting from the increase in the number of properties under management.

Our trade receivable turnover days from third parties were eight days, 14 days, 23 days and 20 days for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Our trade receivable turnover days from third parties increased from eight days for the year ended 31 December 2016 to 20 days for the nine months ended 30 September 2019, which was primarily due to the increase in proportion of property management fees derived from governmental buildings. Generally, government bodies require considerable length of time to obtain internal approval for settlement of bills resulting in a delay in settlement of our trade receivables from third parties.

Our overall trade receivable and contract asset turnover days were 48 days, 38 days, 40 days and 54 days and our trade receivable and contract asset turnover days from related parties were 284 days, 198 days, 78 days and 144 days, respectively, for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. The general decreasing trend in our overall trade receivable and contract asset turnover days from 48 days for the year ended 31 December 2016 to 40 days for the year ended 31 December 2018 and our trade receivable and contract asset turnover days from related parties from 284 days for the year ended 31 December 2016 to 78 days for the year ended 31 December 2018 was primarily due to the prompt settlement of property management fees by Zensun Group for unsold properties under management. Such decrease was partially offset by the recognition of contract assets resulting from our right to

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consideration for our property engineering services. Our overall trade receivable and contract asset turnover days increased from 40 days for the year ended 31 December 2018 to 54 days for the nine months ended 30 September 2019 and our trade receivable and contract asset turnover days from related parties increased from 78 days for the year ended 31 December 2018 to 144 days for the nine months ended 30 September 2019, which was primarily due to (i) the increase in outstanding property management fees by Zensun Group for unsold properties; and (ii) the increase in contract assets as we achieved certain milestone or completed the relevant property engineering projects but before obtaining unconditional right to consideration.

Contract assets

Our contract assets represented our right to consideration in exchange for property engineering services which our Group has delivered to a customer, whereas receipt of the relevant earned consideration is conditional on certain milestone or successful completion of construction. Our contract assets amounted to nil, nil, approximately RMB8.4 million and RMB9.8 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. Our contract assets increased from approximately RMB8.4 million as at 31 December 2018 to approximately RMB9.8 million as at 30 September 2019 as we achieved certain milestone or completed the relevant property engineering projects before obtaining unconditional right to consideration.

As at the Latest Practicable Date, approximately 64.3% of our contract assets (before provision for impairment) as at 30 September 2019 representing approximately RMB6.3 million was certified and converted into our trade receivables after achieving certain milestones or successful completion of our property engineering projects, approximately RMB5.7 million or 90.4% of the relevant trade receivables was settled.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets comprised prepayments, capitalised listing expenses, deposits, other receivables, amounts due from related parties and value-added tax recoverable. Our prepayments, other receivables and other assets amounted to approximately RMB7.4 million, RMB2.4 million, RMB4.6 million and RMB5.2 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The following table sets out the breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	6,890	–	–	–
Other receivables	496	1,953	3,174	1,124
Deposits	12	403	608	379
Prepayments	–	–	4	2
Capitalised listing expenses	–	–	–	2,845
Value-added tax recoverable	–	–	821	814
Total	7,398	2,356	4,607	5,164

Our amounts due from related parties were non-trade in nature, non-interest-bearing and repayable on demand. The balance was fully settled during the year ended 31 December 2017. Our other receivables primarily represented payment made on behalf of property owners for their utilities expenses in our properties under management. Our other receivables increased from approximately RMB0.5 million as at 31 December 2016 to approximately RMB2.0 million as at 31 December 2017 and further to approximately RMB3.2 million as at 31 December 2018, which was primarily due to increase in number of

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properties under management. The decrease in other receivables from approximately RMB3.2 million as at 31 December 2018 to approximately RMB1.1 million as at 30 September 2019 was primarily contributed by the settlement of the advance payment of utilities expenses paid on behalf of property owners. Our capitalised listing expenses represented expenses to be capitalised which was directly attributable to the issue of new Shares pursuant to the Global Offering.

Trade payables

Our trade payables primarily consisted of payables to our suppliers for their products and our subcontractors for their provision of labour or services for property management services and property engineering services. Our trade payables amounted to approximately RMB2.5 million, RMB3.8 million, RMB11.4 million and RMB6.7 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The following table sets out an ageing analysis of our trade payables as at the dates indicated:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,463	3,751	11,434	6,728

The increase in our trade payables from approximately RMB2.5 million as at 31 December 2016 to approximately RMB11.4 million as at 31 December 2018 was mainly due to increase in purchase of service and goods in response to our business expansion. The decrease in trade payables from approximately RMB11.4 million as at 31 December 2018 to approximately RMB6.7 million as at 30 September 2019 was primarily attributable to the settlement made to our suppliers and subcontractors for our property management services and property engineering services. Our trade payables as at 31 December 2016, 2017 and 2018 and 30 September 2019 were generally within the credit period granted by our suppliers or subcontractors, with the exception that the trade payable in respect of a supplier which amounted to approximately RMB1.5 million as at 30 September 2019 exceeded the credit period granted to us. As at the Latest Practicable Date, we had settled approximately RMB5.6 million or 82.7% of the outstanding balance of our trade payables as at 30 September 2019.

The following table sets out our trade payable turnover days for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2016	2017	2018	2019
Average trade payables (RMB'000) ^(Note 1)	1,709	3,107	7,593	9,081
Trade payable turnover days (days) ^(Note 2)	25	30	40	36

Notes:

- Average trade payables are calculated as trade payables at the beginning of the period plus trade payables at the end of the period, divided by two.
- Average trade payable turnover days for a period equal average trade payables divided by cost of sales for the period and multiplied by (i) 365 days for the year ended 31 December 2016, 2017 and 2018; (ii) 273 days for the nine months ended 30 September 2019.

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Our trade payable turnover days were 25 days, 30 days, 40 days and 36 days for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. The increase in our trade payable turnover days from 25 days for the year ended 31 December 2016 to 30 days for the year ended 31 December 2017 was primarily due to the expansion of our portfolio of properties under management resulting in the increase in trade payables due to our suppliers and subcontractors in 2017. Our trade payable turnover days further increased to 40 days for the year ended 31 December 2018 from 30 days for the year ended 31 December 2017, which was primarily due to the fact that an outstanding balance of approximately RMB4.8 million, resulting from the purchase of materials and consumables for our property engineering services during the year ended 31 December 2018, was not yet settled as at 31 December 2018. Our trade payable turnover days remained stable at 40 days and 36 days for the year ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

Other payables and accruals

Our other payables and accruals comprised other payables, payroll payables, deposits, tax payables other than income tax, amounts due to related parties and listing expenses. Our other payables and accruals amounted to approximately RMB9.4 million, RMB16.8 million, RMB24.8 million and RMB43.4 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The following table sets out the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
				30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	2,843	3,921	6,808	11,263
Payroll payables	2,514	2,865	4,299	5,987
Deposits	1,943	5,655	4,184	6,873
Tax payables other than income tax	1,626	1,898	2,611	1,318
Amounts due to related parties ..	441	2,469	6,869	12,144
Listing expenses	–	–	–	5,802
Total	9,367	16,808	24,771	43,387

Our other payables mainly consisted of utilities receipts received from property owners in relation to water, electricity and heating costs. The increase in other payables from approximately RMB2.8 million as at 31 December 2016 to approximately RMB11.3 million as at 30 September 2019 was mainly contributed by the increase in utilities receipts received in relation to water, electricity and heating costs as a result of increase in number of properties under management throughout the Track Record Period. Our payroll payables mainly consisted of salaries, bonus, benefits, social benefits payable to our staff. The increase in payroll payables from approximately RMB2.5 million as at 31 December 2016 to approximately RMB6.0 million as at 30 September 2019 was generally in line with the increase in number of staff as a result of our business expansion throughout the Track Record Period. Our deposits mainly consisted of renovation security deposits received from decoration companies selected by property owners in order to restrain the decoration companies from causing damage to the properties during the renovation process, and such deposits were to be returned after the renovation process. During the Track Record Period, the fluctuation in deposits was generally in line with the increase or decrease in the total GFA of properties under management being delivered and renovated in the respective year or period. Tax payables other than income tax represented mainly VAT payables and the increase of tax payables other than income tax was generally in line with the growth of our revenue from 2016 to 2018. The decrease in tax payables other than income tax from

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approximately RMB2.6 million as at 31 December 2018 to RMB1.3 million as at 30 September 2019 was mainly due to the settlement of relevant tax payables during the nine months ended 30 September 2019. Our amounts due to related parties consisted of vacant parking space rental income and temporary parking income collected by us on behalf of Zensun Group. The increase in amounts due to related parties from approximately RMB441,000 as at 31 December 2016 to approximately RMB12.1 million as at 30 September 2019 was mainly due to the accumulation of vacant parking space rental income and temporary parking income collected by us on behalf of Zensun Group throughout the Track Record Period. Our Directors confirm that the balance will be fully settled upon the Listing. Our listing expenses of approximately RMB5.8 million as at 30 September 2019 represented outstanding listing expenses due to various professional parties for the Listing.

Contract liabilities

Our contract liabilities comprised mainly the prepayment of the property management fees received from the property owners of our properties under management where our services are yet to be delivered. We typically receive the property management fees in advance on a semi-annual basis and recognised such fees as our revenue on a straight-line basis after the provision of our property management services. Our contract liabilities amounted to approximately RMB6.5 million, RMB17.5 million, RMB28.1 million and RMB20.4 million, as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The increase from approximately RMB6.5 million as at 31 December 2016 to approximately RMB28.1 million as at 31 December 2018 was driven by the continuous expansion of portfolio of properties under management. The decrease from approximately RMB28.1 million as at 31 December 2018 to approximately RMB20.4 million as at 30 September 2019 was mainly due to some of the prepayment of the property management fees being recognised as our revenue after the provision of our property management services.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have funded our cash requirements principally from cash generated from our operations and equity contributions. During the Track Record Period, our principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, net proceeds from the Global Offering and other funds raised from capital or debt markets from time to time.

Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash flows from operating activities	20,199	48,994	42,438	31,432	29,500
Net cash flows used in investing activities	(294)	(2,075)	(567)	(294)	(310)
Net cash flows from/(used in) financing activities	5,000	41,164	–	–	(44,020)
Net increase/(decrease) in cash and cash equivalents	<u>24,905</u>	<u>88,083</u>	<u>41,871</u>	<u>31,138</u>	<u>(14,830)</u>

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Operating activities

During the Track Record Period, we derive our cash inflow from operating activities principally from the receipts of payments and/or prepayments for our property management and value-added services and property engineering services. Our cash outflow from operating activities primarily consisted of the payment of labour cost, subcontracting costs, materials and consumables and other working capital needs.

For the year ended 31 December 2016, our net cash generated from operating activities amounted to approximately RMB20.2 million, which was primarily contributed by operating cash flows before movements in working capital of approximately RMB15.6 million and adjustment for (i) change in working capital of approximately RMB5.9 million; and (ii) income tax payment of approximately RMB1.3 million. The change in working capital mainly represented an increase in contract liabilities of approximately RMB3.8 million due to increase in prepayment for our property management services by our customers as a result of increase in the number of properties under management, increase in other payables and accruals of approximately RMB3.3 million, increase in trade payables of approximately RMB1.5 million and decrease in prepayments, other receivables and other assets of approximately RMB4.4 million. Such cash inflow was partially offset by an increase in trade receivables of approximately RMB7.1 million.

For the year ended 31 December 2017, our net cash generated from operating activities amounted to approximately RMB49.0 million, which was primarily contributed by operating cash flows before movements in working capital of approximately RMB28.6 million and adjustment for (i) change in working capital of approximately RMB28.5 million; and (ii) income tax payment of approximately RMB8.1 million. The change in working capital mainly represented an increase in contract liabilities of approximately RMB11.0 million due to increase in prepayment for our property management services by our customers as a result of continuous increase in the number of properties under management, increase in other payables and accruals of approximately RMB7.4 million mainly due to increase in utilities receipts and deposits received from customers and decoration companies, decrease in prepayments, other receivables and other assets of approximately RMB5.0 million mainly due to settlement of amount due from related parties, decrease in trade receivables of approximately RMB3.7 million mainly due to prompt settlement of property management fee by Zensun Group and increase in trade payables of approximately RMB1.3 million which reflected increase in purchase of services and goods to cater our business expansion.

For the year ended 31 December 2018, our net cash generated from operating activities amounted to approximately RMB42.4 million, which was primarily contributed by operating cash flows before movements in working capital of approximately RMB46.7 million and adjustment for (i) change in working capital of approximately RMB8.3 million; and (ii) income tax payment of approximately RMB12.6 million. The change in working capital mainly represented an increase in contract liabilities of approximately RMB10.6 million due to increase in prepayment for our property management services by our customers as a result of continuous increase in the number of properties under management, increase in other payables and accruals of approximately RMB8.0 million mainly due to increase in utilities receipts received from customers, vacant parking space rental and temporary parking income collected by us on behalf of Zensun Group and payroll payables, and increase in trade payables of approximately RMB7.7 million which reflected the increase in purchase in response to expansion of our business. Such cash inflow was partially offset by an increase in contract assets of approximately RMB8.4 million contributed by our Group's property engineering services, increase in trade receivables of approximately RMB7.9 million which reflected the expansion of our business and increase in prepayments, other receivables and other assets of approximately RMB1.4 million.

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For the nine months ended 30 September 2019, our net cash generated from operating activities amounted to approximately RMB29.5 million, which was primarily contributed by operating cash flows before movements in working capital of approximately RMB38.5 million and adjustment for (i) change in working capital of approximately RMB1.5 million; and (ii) income tax payment of approximately RMB10.4 million. The change in working capital mainly represented an increase in other payables and accruals of approximately RMB18.0 million mainly due to increase in utilities receipts and deposits received from customers and decoration companies as a result of increase in the number of properties under management and accrued listing expenses. Such cash inflow was partially offset by a decrease in contract liabilities of approximately RMB7.6 million due to decrease in prepayment of property management fees from our customers as a result of such being recognised as our revenue, an increase in trade receivables of approximately RMB4.0 million which reflected the expansion of our business, a decrease in trade payables of approximately RMB4.7 million and an increase in contract assets of approximately RMB1.4 million due to recognition of earned consideration that was conditional on achievement of certain milestone or completion of property engineering project in accordance with relevant agreements during the period.

Investing activities

During the Track Record Period, our cash outflow for investing activities consisted of payment for the purchases of items of property, plant and equipment. Our cash inflow from investing activities consisted of proceeds from disposal of items of property, plant and equipment.

For the year ended 31 December 2016, our net cash used in investing activities amounted to approximately RMB0.3 million, which was contributed by the purchases of items of property, plant and equipment of approximately RMB0.3 million. Such cash outflow was slightly offset by the proceeds from disposal of items of property, plant and equipment of approximately RMB26,000.

For the year ended 31 December 2017, our net cash used in investing activities amounted to approximately RMB2.1 million, which was solely contributed by the purchases of items of property, plant and equipment (including electronic equipment and facilities for our “Huiyan Technology Centre (慧眼科技中心)”).

For the year ended 31 December 2018, our net cash used in investing activities amounted to approximately RMB0.6 million, which was solely contributed by the purchases of items of property, plant and equipment.

For the nine months ended 30 September 2019, our net cash used in investing activities amounted to approximately RMB0.3 million, which was solely contributed by the purchase of items of property, plant and equipment.

Financing activities

During the Track Record Period, our cash inflow from financing activities consisted of capital contributions from owners. Our cash outflow for financing activities primarily consisted of dividend payment to the then shareholders of Xingye IOT Management and payment of listing expenses.

For the year ended 31 December 2016, our net cash generated from financing activities amounted to approximately RMB5.0 million, which represented the capital contributions to Xingye IOT Management from Zensun Development of RMB5.0 million.

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For the year ended 31 December 2017, our net cash generated from financing activities amounted to approximately RMB41.2 million, which was contributed by the capital contributions from Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management of approximately RMB58.5 million in aggregate. Such cash inflow was partially offset by the dividend payment to the then shareholder of Xingye IOT Management of approximately RMB17.3 million.

For the year ended 31 December 2018, there was no cashflows in relation to our financing activities.

For the nine months ended 30 September 2019, our net cash used in financing activities amounted to approximately RMB44.0 million, which was contributed by the dividend payment to the then shareholders of Xingye IOT Management of approximately RMB42.6 million and payment of listing expenses of approximately RMB1.4 million.

Net current assets

Our Group recorded net current assets of approximately RMB24.1 million, RMB84.3 million, RMB118.5 million, RMB103.1 million and RMB111.4 million as at 31 December 2016, 2017 and 2018, 30 September 2019 and 31 December 2019, respectively. The following table below sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current assets					
Inventories	–	–	124	389	–
Trade receivables	9,658	6,019	13,806	17,810	18,237
Contract assets	–	–	8,356	9,770	11,412
Prepayments, other receivables and other assets	7,398	2,356	4,607	5,164	8,033
Cash and cash equivalents	31,443	119,526	161,397	146,567	173,147
	48,499	127,901	188,290	179,700	210,829
Current liabilities					
Trade payables	2,463	3,751	11,434	6,728	18,223
Other payables and accruals	9,367	16,808	24,771	43,387	45,199
Contract liabilities	6,461	17,497	28,067	20,432	29,402
Tax payable	5,750	4,745	4,217	4,274	4,753
Provision	–	–	–	22	22
Lease liabilities	324	769	1,304	1,776	1,859
	24,365	43,570	69,793	76,619	99,458
Net current assets	24,134	84,331	118,497	103,081	111,371

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Our net current assets increased from approximately RMB24.1 million as at 31 December 2016 to approximately RMB118.5 million as at 31 December 2018, which was mainly contributed by the increase in cash and cash equivalents generated from continuous expansion of our business operation and capital contribution to Xingye IOT Management made by Zensun Development, Haifeng Development, Qian Zhiyi Management and Zhuoneng Management in 2017. Such increase was partially offset by (i) increase in contract liabilities due to continuous increase in prepayment of property management fee received from our customers as a result of increase in the number of properties under management; and (ii) increase in other payables and accruals resulting from increase in utilities receipts and deposits received from property owners and decoration companies, and accumulation of vacant parking space rental and temporary parking income collected by us on behalf of Zensun Group.

Our net current assets decreased from approximately RMB118.5 million as at 31 December 2018 to approximately RMB103.1 million as at 30 September 2019, which was primarily due to the combined effect of (i) reduction in cash and cash equivalents as a result of payment of dividend of approximately RMB42.6 million; and (ii) increase in other payables and accruals resulting from increase in utilities receipts and deposits received from property owners and decoration companies, and increase in vacant parking space rental and temporary parking income collected by us on behalf of Zensun Group.

Our net current assets increased from approximately RMB103.1 million as at 30 September 2019 to approximately RMB111.4 million as at 31 December 2019, which was mainly due to increase in cash and cash equivalent from our business operation. Such increase was partially offset by (i) increase in trade payables resulting from increase in demand for labour and service provided by our subcontractors for our property engineering services in December 2019; (ii) increase in contract liabilities resulting from increase in prepayment for our property management services by our customers; and (iii) increase in other payables and accruals resulting from increase in utilities receipts received from property owners and increase in vacant parking space rental and temporary parking income collected by us on behalf of Zensun Group.

Treasury policy

Our Group may utilise our idle cash to make investment for a prudent return, such as to make investment in wealth management products as we believe it may make better use of our idle cash by making appropriate investments in relatively low-risk products to enhance our income without interfering with liquidity. Our Group's investment decisions are made on a case-by-case basis and after due consideration of a number of factors, including but not limited to (i) duration of investment; (ii) the expected returns, potential losses and risk of such investment; and (iii) the level of our idle cash. Our Group's accounting and finance department, under the supervision of our chief financial officer, Ms. Lu Shuang, is responsible for our accounting and financial management. For further information, please refer to the section headed "Directors and senior management" in this prospectus. Our Group did not own any wealth management products as at the Latest Practicable Date and does not have any immediate plan or intention to invest in wealth management products.

Working Capital Sufficiency

Our Directors believe that after taking into account the financial resources presently available to us, including cash flows from operations, cash and cash equivalents available and other internal resources and the estimated net proceeds from the Global Offering, we have sufficient working capital for our working capital requirements for at least the next twelve months from the date of this prospectus.

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KEY FINANCIAL RATIOS

The following table sets out key financial ratios of our Group during the periods indicated:

	As at/for the year ended 31 December			As at/for the nine months ended 30 September
	2016	2017	2018	2019
Current ratio ⁽¹⁾	2.0x	2.9x	2.7x	2.3x
Return on assets ⁽²⁾	32.1%	21.3%	21.2%	19.9%
Return on equity ⁽³⁾	70.0%	34.5%	32.9%	32.9%
Gearing ratio ⁽⁴⁾	N/A	N/A	N/A	N/A
Net debt to equity ratio ⁽⁵⁾	Net cash position	Net cash position	Net cash position	Net cash position
Interest coverage ⁽⁶⁾	N/A	N/A	N/A	N/A

Notes:

- Current ratio is calculated based on the total current assets at the end of the relevant year/period divided by the total current liabilities at the end of the respective year/period.
- Return on assets is calculated based on the (i) net profit attributable to the owners of the parent for the three years ended 31 December 2018; or (ii) annualised net profit attributable to the owners of the parent for the nine months ended 30 September 2019 divided by the average total assets at the beginning and the end of the respective year/period and multiplied by 100%.
- Return on equity is calculated based on the (i) net profit attributable to the owners of the parent for the three years ended 31 December 2018; or (ii) annualised net profit attributable to the owners of the parent for the nine months ended 30 September 2019 divided by the average total equity attributable to the owners of the parent at the beginning and the end of the respective year/period and multiplied by 100%.
- Gearing ratio is calculated based on the total debt (of which debt represents interest-bearing bank and other borrowings) divided by the total equity as at the end of the corresponding year/period.
- Net debt to equity ratio is calculated based on the total debt (of which debt represents interest-bearing bank and other borrowings) net of cash and cash equivalents divided by the total equity as at the end of the corresponding year/period.
- Interest coverage is calculated based on the profit for the year before income tax expenses (excluding interest expenses on lease liabilities), adding interest expenses (excluding interest expenses on lease liabilities), divided by interest expenses for the corresponding year/period.

Current ratio

The current ratio of our Group as at 31 December 2016, 2017 and 2018 and 30 September 2019 were approximately 2.0 times, 2.9 times, 2.7 times and 2.3 times, respectively. The current ratio increased from approximately 2.0 times as at 31 December 2016 to approximately 2.9 times as at 31 December 2017, which was primarily due to the increase in our cash and cash equivalents from our operating activities and financing activities. The current ratio gradually decreased from approximately 2.9 times as at 31 December 2017 to approximately 2.3 times as at 30 September 2019, which was mainly due to (i) the decrease in our cash and cash equivalents from 31 December 2018 to 30 September 2019, as a result of payment of dividend to the shareholders of Xingye IOT Management during the nine months ended 30 September 2019; and (ii) the increase of prepayment of property management fee received from our customers as a result of the continuous increase in the number of properties under management throughout the years.

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Return on assets

The return on assets of our Group for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 were approximately 32.1%, 21.3%, 21.2% and 19.9%, respectively. The decrease from approximately 32.1% for the year ended 31 December 2016 to approximately 21.3% for the year ended 31 December 2017 was primarily due to the fact that the effect from increase in our profitability was outweighed by the effect from increase in our total assets which was mainly contributed by cash inflows from operations and capital contribution to Xingye IOT Management made by Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management in 2017. The return on assets remained stable from approximately 21.3% for the year ended 31 December 2017 to approximately 19.9% for the nine months ended 30 September 2019.

Return on equity

The return on equity of our Group for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 were approximately 70.0%, 34.5%, 32.9% and 32.9%, respectively. The decrease from approximately 70.0% for the year ended 31 December 2016 to approximately 34.5% for the year ended 31 December 2017, which was primarily attributable to the fact that the effect of increase in our profitability was outweighed by that of the increase in our equity as a result of the capital contribution from Zensun Development, Haifeng Management, Qian Zhiyi Management and Zhuoneng Management in 2017. The return of equity remained stable from approximately 34.5% for the year ended 31 December 2017 to approximately 32.9% for the year ended 31 December 2018 and approximately 32.9% for the nine months ended 30 September 2019.

Gearing ratio

The gearing ratio was not applicable as we did not have any interest-bearing bank and other borrowings as at 31 December 2016, 2017 and 2018 and 30 September 2019.

Net debt to equity ratio

We were in net cash position as at 31 December 2016, 2017 and 2018 and 30 September 2019 as we did not have any bank borrowings.

Interest coverage

The interest coverage was not applicable as we did not incur any interest expenses for the year ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period including (i) provision of property management and value-added services; (ii) provision of property engineering services; (iii) ancillary food supply services; and (iv) leases from a related party.

With respect to the related party transactions set out in note 31 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors further confirm that the related party transactions would not distort the results of operations for the Track Record Period or make the historical results not reflective of our future performance.

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DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, save as disclosed above, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 13.12 to 13.19 of the Listing Rules.

INDEBTEDNESS

As at 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement, we had no outstanding borrowings. Our Group did not have any issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, hire purchase commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since 31 December 2019 and up to the Latest Practicable Date.

Our Directors confirm that our Group did not have any unutilised banking facilities as at 31 December 2019 and up to the Latest Practicable Date and we had lease liabilities of approximately RMB4.1 million as at 31 December 2019.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, uncombined entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's principal financial instruments comprised cash and cash equivalents, trade receivables, other receivables and contract assets. The main purpose of these financial instruments was to raise finance for our Group's operations. Our Group had various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations.

The main risks arising from our Group's financial instruments are credit risk and liquidity risk. Our Directors reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Our Group trades only with recognised and creditworthy third parties and related parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, contract assets and financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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Liquidity risk

The liquidity risk of our Group derives from payment of trade payables, financial liabilities in other payables and accruals and lease liabilities, with a maximum exposure equal to the carrying amounts of these liabilities.

Capital management

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise Shareholders' value. Our Group manages our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, our Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period. Our Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by total equity. As at the end of each of the Track Record Period, there was no interest-bearing bank and other borrowings. As such, no gearing ratio as at the end of each of the Track Record Period was presented. For further details, please refer to note 33 to the Accountants' Report in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors estimate, on the bases set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 are set out as follows:

Estimated consolidated profit attributable to owners of our Company^(Note) . . . Not less than RMB34.0 million

Note: The estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 has taken into account the expected listing expenses incurred for the year ended 31 December 2019 of approximately RMB10.1 million.

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our Group's audited consolidated results for the nine months ended 30 September 2019 as set out in the Accountants' Report in Appendix I to this prospectus and our Group's unaudited consolidated results for the three months ended 31 December 2019.

DIVIDENDS

For each of the three years ended 31 December 2018 and for the nine months ended 30 September 2019, we declared and paid an aggregated dividend of nil, approximately RMB17.3 million, nil and approximately RMB42.6 million, respectively. The dividends were declared to provide returns to the then shareholders of Xingye IOT Management on their respective investments, and is not an indicator of the dividend to be declared in the future.

Our Directors intend to declare dividends, if any, in HK dollars with respect to Shares on a per Share basis and will pay such dividends in HK dollars. Any final dividend for a financial year will be subject to our Shareholders' approval. Our Company currently does not have a dividend policy in place. For subsequent years, our Directors may recommend declaration of final dividends or interim dividends, if any, after taking into account, among other things, our results of operations, financial condition and position, operating and capital requirements, the amount of distributable profits based on IFRSs, the Articles, applicable laws and regulations, prevailing economic climate and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

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RESERVES

Our Company was incorporated on 12 August 2019 and has not carried on any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

Assuming an Offer Price of HK\$1.75 per Offer Share (being the mid-point of the indicative Offer Price range), we expect to incur estimated total listing expenses of approximately HK\$30.8 million (equivalent to approximately RMB26.6 million) of which (i) approximately RMB17.7 million is expected to be charged to our consolidated statements of profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, among which approximately RMB8.6 million has been recognised in our consolidated statements of profit or loss for the nine months ended 30 September 2019; and (ii) approximately RMB8.9 million is expected to be accounted for as a deduction from equity upon the Listing. Expenses in relation to the Listing are non-recurring in nature. Our Group's result of operations for the year ended 31 December 2019 and the year ending 31 December 2020 will be affected by such expenses in relation to the Listing. Our Directors would like to emphasise that such expenses are current estimate for reference only, and the final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the consolidated net tangible assets of our Group attributable to owners of our Company had it occurred as at 30 September 2019. It has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 September 2019 ^(Note 1)	Estimated net proceeds from the Global Offering ^(Note 2)	Unaudited pro forma adjusted consolidated net tangible assets ^(Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the minimum Offer Price of HK\$1.50 per Offer Share ...	106,709	111,781	218,490	0.55	0.64
Based on the maximum Offer Price of HK\$2.00 per Offer Share ...	106,709	154,020	260,729	0.65	0.75

Notes:

- The consolidated net tangible assets of our Group attributable to owners of our Company as at 30 September 2019 was equal to the audited net assets attributable to owners of our Company as at 30 September 2019 of RMB106,709,000 set out in the Accountants' Report in Appendix I to this prospectus.

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2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.50 per Offer Share and HK\$2.00 per Offer Share, respectively, being the minimum Offer Price and maximum Offer Price in the Offer Price range, after deduction of the underwriting fees and other related expenses payable by our Company and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in notes 2 and on the basis of 400,000,000 Shares in issue, assuming that the Capitalisation Issue and the Global Offering had been completed on 30 September 2019 but does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
4. For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.16.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2019.

RECENT DEVELOPMENT

Our Group's business and revenue model as well as cost structure basically remained unchanged subsequent to the Track Record Period and up to the date of this prospectus. Subsequent to 30 September 2019 and up to the date of this prospectus, we contracted to provide property engineering services for 32 projects with an aggregate contract value of approximately RMB26.3 million and we have not contracted to provide any new property management services. However, since 30 September 2019, we had commenced the provision of property management services for one commercial building developed by Zensun Group and one industrial park developed by an independent property developer with a GFA of approximately 0.1 million sq.m. and 0.2 million sq.m., respectively. As at 31 December 2019 and the date of this prospectus, our GFA for properties under management were approximately 2.3 million sq.m. and 2.4 million sq.m., respectively.

In addition, despite the recent outbreak of COVID-19 in the PRC, our Directors confirm that the outbreak does not have material adverse effect on our Group's continuing business operation and sustainability. For further details, please refer to the sections headed "Risk factors – Risks relating to the PRC – Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC", "Regulations – Legal supervision over property management services – Prevention and control of pneumonia epidemic relating to property management services providers", "Business – Impact of outbreak of COVID-19 on our business" and "Business – Social health, safety and environmental matters" of this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraphs headed "Recent development" and "Listing expenses" in this section, our Directors confirmed that since 30 September 2019 and up to the date of this prospectus, (i) there has been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 September 2019 and up to the date of this prospectus that would adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

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Please refer to the section headed “Business – Business strategies” of this prospectus for a detailed description of our future plans.

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The estimated net proceeds of the Global Offering which we will receive, assuming the Offer Price is fixed at the low-end and the high-end of the indicative Offer Price range stated in this prospectus and the Over-allotment Option is not exercised 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:

	Offer Price of HK\$1.50 per Offer Share (low-end of the indicative Offer Price range)	Offer Price of HK\$2.00 per Offer Share (high-end of the indicative Offer Price range)
Market capitalisation of the Shares	HK\$600 million	HK\$800 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note)	RMB0.55 HK\$0.64	RMB0.65 HK\$0.75

Note: For the assumptions and calculation method, please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus.

Assuming an Offer Price of HK\$1.75 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$2.00 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$144.2 million which we intend to use as follows:

Selective acquisition for the expansion of our business

Approximately 72.3%, or approximately HK\$104.3 million, for the expansion of our business, through the acquisition of suitable acquisition targets of which:

- (i) approximately 64.9%, or HK\$93.6 million, for acquiring property management service providers or project companies with a focus on non-residential properties in enhancing (a) our coverage in Henan Province and the neighbouring provinces of Henan Province; or (b) our capabilities in undertaking or providing property management services to different types of properties to supplement our business.

We intend to select our acquisition targets that maximise the expected return for us and minimise the risks and exposure associated with the acquisition, therefore, we will conduct preliminary review and feasibility study on a potential target, and we have established an acquisition committee to consider, assess and decide whether to proceed with a proposed acquisition. Our acquisition committee consists of five members, namely Mr. Zhu Jie, Ms. Zhang Huiqi, Mr. Zhang Yong, Mr. Luo Shudan and Mr. Lu Chaosheng. Mr. Lu Chaosheng is a member of our legal department and has experience in legal and compliance matters.

When assessing the acquisition opportunities, we will carefully consider a variety of factors with respect to the target, including but not limited to quality and scale of the properties under their management; cost and benefit of the acquisition, taking into account our corporate strategy and long-term plan; the synergy between our existing operations and potential targets in terms of technology,

FUTURE PLANS AND USE OF PROCEEDS

management expertise and business compatibility; socio-economic and demographic condition of and local regulatory environment and policies implemented in the region and province where the potential target is located; the joint venture partners (if any) and the joint venture structure (if applicable); our financial resources; financial data of the target and the possibility of enhancing the overall competitiveness and sustainability of our existing and future business.

Specifically, in selecting and assessing potential acquisition opportunities for property management services providers, we will consider the following selection criteria relating to the target companies:

- **Geographical location** – We primarily target property management service providers or project companies located in cities in Henan Province with better economic development or industrial foundation, such as Zhengzhou, Xuchang, Xinxiang, Xinyang and Luoyang and in neighbouring provinces of Henan Province, such as Hubei Province, Hebei Province, Shanxi Province, Anhui Province, Shaanxi Province and Shandong Province.
- **Business focus** – We primarily target small and medium sized property management service providers with a focus on providing property management services for non-residential properties, including governmental buildings, schools, industrial parks, hotels, hospitals and property management companies held by small sized non-residential property developers.
- **Operational scale** – We target property management service providers or project companies with GFA under management of no less than 50,000 sq.m. for the preceding financial year.
- **Financial track record** – We consider the financial results and performance of the acquisition targets for the preceding financial year. We target property management service providers which had achieved gross profit margin of at least 35% and net profit margin of at least 15% for the preceding financial year.
- **Management capability** – We target property management service providers with management teams with extensive industry knowledge and property management experience particularly in governmental buildings, schools, industrial parks, hotels and hospitals.

Our Directors believe that such merger and acquisition of property management service providers or project companies could enable us to (i) enjoy leap-frog growth through rapidly gaining access to new geographic markets and expanding our business portfolio in an efficient manner; (ii) obtain a greater market share in Henan Province and experience better economies of scale; (iii) enhance our Group's market influence and consolidate our leading position in Henan Province; (iv) diversify the portfolio of properties under management; and (v) increase the proportion of management projects from third-party developers.

As advised by Savills, there are more than 100 property management service providers or project companies focusing solely in the provision of property management services for non-residential properties in Henan Province, and more than 1,200 in Henan Province and its neighbouring provinces including Hubei Province, Hebei Province, Shanxi Province, Anhui Province, Shaanxi Province and Shandong Province. Those property management service companies may meet our selection criteria.

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- (ii) approximately 7.4%, or HK\$10.7 million, for acquiring property management related professional service providers to optimise our business structure and achieve synergy.

Specifically, in selecting and assessing potential merger and acquisition opportunities for property management related professional service providers, we will consider the following selection criteria relating to the target companies:

- **Geographical location** – We primarily target property management related professional service providers located in Zhengzhou, Henan Province and any other location where our Group or any member of our Group conducts its business.
- **Business focus** – We primarily target companies engaging in property management related professional service, such as property maintenance engineering (such as electrical engineering, water supply and drainage engineering, building renovation and decoration, as well as installation and maintenance services), fire engineering and professional cleaning (such as carpet cleaning, curtain wall cleaning, stone care).
- **Management capability** – We target property management related professional service providers with management teams with relevant knowledge and experience in property maintenance engineering, fire engineering and professional cleaning.

Our Directors believe that such merger and acquisition of property management related professional service providers could enable us to lower our subcontracting costs in subcontracting similar services, optimise our business structure and achieve synergy. Our Directors intend to provide professional property maintenance engineering (such as electrical engineering, water supply and drainage engineering, building renovation and decoration as well as installation and maintenance services), fire engineering and professional cleaning (such as curtain wall cleaning and stone care) to other independent property management service providers after acquiring property management related professional service providers.

Apart from the business from third party customers and the synergy arising from the acquisition, our Directors believe that our Group will benefit from savings in subcontracting costs. For illustration purpose only, assuming we were able to acquire a property management related professional service provider, the estimated saving in subcontracting costs is shown below:

	2019	2020
	(Estimated) HKD'000	(Estimated) HKD'000
Subcontracting costs of our Group expected to be incurred for property management related professional services	7,000	8,000
Less: Costs and expenses incurred by a professional service provider for providing property management related professional services for our Group ^(Note)	6,440	7,360
Saving in subcontracting costs	560	640

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Note: As advised by Savills, the average net profit margin of the property management related professional service provider was approximately 8.0%. The costs and expenses to be incurred by a service provider for providing property management related professional service for our Group was calculated based on subcontracting costs expected to be incurred by our Group for property management related professional services multiplied by 92.0% (i.e. 100.0% – average net profit margin of property management related professional service provider of 8.0%).

As advised by Savills, it is the industry norm for property management companies to own specialised property management related professional service providers and there are approximately 200,000 property management related professional service providers providing labour subcontracting services in China and more than 7,000 in Henan Province that may meet our selection criteria.

Whereas the acquisition target meets the abovementioned selection criteria of our preliminary assessment, we will conduct detailed due diligence on the target which includes conducting detailed feasibility studies, financial analysis, vetting prospective joint venture partners (if any) and reviewing relevant contracts, approvals and licences. We may also engage qualified PRC legal advisors to advise us on any potential legal issues in relation to the acquisition and to ensure that the acquisition and operation of the target will not lead to any non-compliance issues or violation of laws and regulations. We will endeavour to follow the specific selection criteria to safeguard the sustainability of our expansion strategy, however, in the event that our acquisition committee consider an acquisition would create synergy between our existing operations and potential targets in terms of technology, management expertise and/or business compatibility, and has great potential prospects which is in line with our corporate strategy and long-term plan, we may still proceed with an acquisition which does not meet the specific selection criteria.

As at the Latest Practicable Date, we had not identified any target company for acquisition.

Enhancement of our property engineering services

Approximately 7.2%, or approximately HK\$10.4 million, for enhancing our property engineering services, including:

- (i) approximately 3.0%, or approximately HK\$4.4 million, for engaging a company in developing a system with enhanced functionalities for use in construction sites. We already have in place a system in some construction sites. For further details about our construction site management systems, please refer to the section headed “Business – Property engineering services” of this prospectus. To increase the functionalities of our existing system, we plan to upgrade and enhance the existing system in order to manage construction workers more efficiently and ensure the safety of construction workers and properties. This can help to enhance our safety, inventory security, tower crane management and environmental monitoring. For example:
 - safety: health conditions of construction workers and potential hazards nearby can be monitored by wearing devices installed with sensors.
 - inventory security: installing labels to materials and equipment of high value, such that alarms will set off if there is abnormal movement of the goods.
 - tower crane management: information such as wind speed and loading weight will be collected through high precision sensors, which will be sent to the control device and the relevant supervising department instantaneously.

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The control device will make a security alert and implement safety measures in accordance with the information collected, and the relevant supervising department will be able to monitor the operation of tower cranes from their offices.

- environmental monitoring: information such as dust level, noise level and meteorological parameters of certain areas of the construction site can be collected, stored, processed and analysed. The system enables the relevant supervising department to understand the environmental quality of the construction site and the impact of the construction on the environment timely and accurately.
- (ii) approximately 2.8%, or approximately HK\$4.0 million, for engaging a company to achieve system integration of our existing systems with facial recognition technology. At present, facial recognition technology is already in place for access control and construction site management. However, apart from access control and monitoring, users have to enter the relevant data separately for other functions or systems at the properties or construction sites. System integration would allow registered person to utilise other functions and systems, such as elevator system and video intercom system, at the same time enhancing our management efficiency; and
- (iii) approximately 1.4%, or approximately HK\$2.0 million, for hiring information technology experts in maintaining and enhancing our existing property engineering services to cater for the overall enhancement of the development of our property engineering services, we will hire information technology experts with systems development and facial recognition technology-related experience in order to better communicate with the relevant subcontractors for the maintenance of the existing systems and propose solutions for upgrade. We intend to hire two to four information technology experts.

Our Directors believe that enhancement of our property engineering services will not only enhance our competitiveness in the fast growing property engineering service industry, but will also facilitate our involvement during the early stages of a construction project by providing property engineering services. Our Group will therefore be able to broaden our customer base by establishing business relationship with third-party property developers and property owners at different phases during the development of a property, such as, establishing safety and security systems at the construction sites before commencement of work as well as project management consultancy during and after construction. In addition, we will be more familiar with the design of the property, understand the requirements of, and building rapport, especially with third-party property developer or property owners, thereby increasing our success rate in the bids and tenders initiated by the third-party property developers for property management agreements.

As advised by Savills, the enhancement of our property engineering services would increase our chances of securing property management projects in tender and bidding processes. Our Directors intend to apply the proceeds of the Global Offering in the enhancement of our property engineering services with a view to expanding our property management portfolio.

FUTURE PLANS AND USE OF PROCEEDS

Enhancement of our property management business

Approximately 10.5%, or approximately HK\$15.1 million, for enhancing our property management services, including

- (i) approximately 3.5%, or approximately HK\$5.1 million, for developing and implementing a system which can help to enhance the facilities management, safety and security management and energy management of our property management projects. The system helps collect the operation data of facilities, equipment, etc. and transfer them to the administrators, such that we can monitor and observe the real-time status of each property through screens, computers, mobile apps and other devices. Through connecting facilities (such as electricity distribution room, water pumps, elevators, fire systems, lighting) with the system, there is real-time monitoring of facilities. Further, data can be stored and analysed in order to detect any potential equipment hazards and failures in advance. This will lower the cost of manual inspection, and ensure standardisation and automation of inspections. The system enables us to reduce labour costs in patrolling the premises and inspecting our equipment and operation cost by monitoring energy consumption. Our quality of services can also be ensured through standardisation, thereby increasing our overall efficiency.
- (ii) approximately 3.5%, or approximately HK\$5.0 million, for upgrading and strengthening our information management system including our customer relationship management systems, payment management systems and enterprise resource planning system. By upgrading and strengthening these systems, we aim to facilitate proper maintenance and collection of our customers' information, including their payment, previous repair and maintenance, and complaints history. We also aim to be able to improve our payment management system, including automatic invoice issuance, payment system alerts (such as WeChat pay and Alipay) and outstanding payment alerts. As for our enterprise resource planning system, we hope to be able to set up a system to calculate and analyse financial data for our operations instantaneously; and
- (iii) approximately 3.5%, or approximately HK\$5.0 million, for upgrading or maintaining existing facilities, such as water supply systems, power distribution rooms and power supply circuit, fire facilities and equipment, elevators, lighting systems, monitoring systems of elevators, air conditioning systems, to further enhance our service quality and ensure the efficiency of our operation.

Our Directors believe that enhancement of our property management services will further enhance our service quality and ensure the efficiency of our operations.

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Working capital

Approximately 10.0%, or approximately HK\$14.4 million, for general working capital.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$2.00 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$24.5 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.50 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$24.5 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$29.4 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$2.00 per Share; (ii) HK\$25.7 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.75 per Share; and (iii) HK\$22.0 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$1.50 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks.

FUTURE PLANS AND USE OF PROCEEDS

Our expansion plan

The following table sets out the amount and percentage of proceeds used, milestones and timeframe for each of our expansion plans. In the event that the net proceeds were found to be insufficient for our expansion plans, we will utilise our internal funds and cash generated from our operation:

Intended use	Percentage of total proceeds	Amount of proceeds (HK\$ in millions)	Sub-categories	Respective percentage of total proceeds	Respective amount of proceeds (HK\$ in millions)	Milestones	Timeframe
Selective acquisition for the expansion of our business	72.3%	104.3	(i) Acquiring other property management service providers or project companies for non-residential properties	64.9%	93.6	<ul style="list-style-type: none"> • Assessing acquisition opportunities, conducting due diligence on the target and selecting acquisition targets • Completing the acquisition of or investment in target companies at the aggregate contract value of approximately HK\$46.8 million 	<ul style="list-style-type: none"> • Within six months after the Listing • Within two years after the Listing
			(ii) Acquiring property management related professional service providers	7.4%	10.7	<ul style="list-style-type: none"> • Completing the acquisition of or investment in target companies at the aggregate contract value of approximately HK\$46.8 million • Assessing acquisition opportunities, conducting due diligence on the target and selecting acquisition targets • Completing the acquisition of or investment in target companies at the aggregate contract value of approximately HK\$10.7 million 	<ul style="list-style-type: none"> • Within three years after the Listing • Within six months after the Listing • Within two years after the Listing

FUTURE PLANS AND USE OF PROCEEDS

Intended use	Percentage of total proceeds	Amount of proceeds (HK\$ in millions)	Sub-categories	Respective percentage of total proceeds	Respective amount of proceeds (HK\$ in millions)	Milestones	Timeframe
Enhancement of our property engineering services	7.2%	10.4	(i) Engaging a company in developing a system with enhanced functionalities for use in construction sites	3.0%	4.4	<ul style="list-style-type: none"> Engaging a company to develop a system with enhanced functionalities 	<ul style="list-style-type: none"> Within six months after the Listing
				2.8%	4.0	<ul style="list-style-type: none"> Completing the development and installation of the system Engaging a company for system integration and performing a full analysis on our current systems 	<ul style="list-style-type: none"> Within two years after the Listing Within six months after the Listing
				1.4%	2.0	<ul style="list-style-type: none"> Engaging a company in achieving system integration of our existing systems with facial recognition technology 	<ul style="list-style-type: none"> Within two years after the Listing
Enhancement of our property engineering services	1.4%	2.0	(ii) Hiring information technology experts in maintain and enhancing our property engineering services	1.4%	2.0	<ul style="list-style-type: none"> Completing the system integration of our existing systems with facial recognition technology Hiring one to two information technology experts with qualification in electrical engineering in maintaining our existing information technology system 	<ul style="list-style-type: none"> Within two years after the Listing Within one year after the Listing
				1.4%	2.0	<ul style="list-style-type: none"> Hiring additional one to two information technology experts with qualification in electrical engineering for the expansion in our property engineering services, such as the increased use of facial recognition technology 	<ul style="list-style-type: none"> Within one year and two years after the Listing
Enhancement of our property engineering services	1.4%	2.0	(iii) Hiring information technology experts in maintain and enhancing our property engineering services	1.4%	2.0	<ul style="list-style-type: none"> Completing the system integration of our existing systems with facial recognition technology Hiring one to two information technology experts with qualification in electrical engineering in maintaining our existing information technology system 	<ul style="list-style-type: none"> Within two years after the Listing Within one year after the Listing
				1.4%	2.0	<ul style="list-style-type: none"> Hiring additional one to two information technology experts with qualification in electrical engineering for the expansion in our property engineering services, such as the increased use of facial recognition technology 	<ul style="list-style-type: none"> Within one year and two years after the Listing

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Intended use	Percentage of total proceeds	Amount of proceeds	Sub-categories	Respective percentage of total proceeds	Respective amount of proceeds	Milestones	Timeframe
		(HK\$ in millions)			(HK\$ in millions)		
Enhancement of our property management services	10.5%	15.1	(i) developing a system and its implementation	3.5%	5.1	<ul style="list-style-type: none"> • Engaging a company to develop a system to enhance the facilities management, safety and security management and energy management of our property management projects • Completing the development and installation of the system • Completing the implementation of the system into our property management services 	<ul style="list-style-type: none"> • Within six months after the Listing • Within one and a half year after the Listing • After the completion of the development stage
			(ii) Upgrading and strengthening our information management system	3.5%	5.0	<ul style="list-style-type: none"> • Completing the upgrading of our customer relationship management system, for improving the management of our customer information, handling customer's request and promotion of activity in the property, etc. 	<ul style="list-style-type: none"> • Within two years after the Listing

FUTURE PLANS AND USE OF PROCEEDS

Intended use	Percentage of total proceeds	Amount of proceeds	Sub-categories	Respective percentage of total proceeds	Respective amount of proceeds	Milestones	Timeframe
		(HK\$ in millions)			(HK\$ in millions)		
			(iii) Upgrading or maintaining existing equipment	3.5%	5.0	<ul style="list-style-type: none"> • Completing the construction of the payment management systems, for enhancing the whole payment system, such as automated bill delivery, payment notifications, late payment reminders, etc. • Completed the setting up of the enterprise resource planning system, to facilitate the preparation of our budget for individual property, recording of expenses, data analysis and statistics • Completing the upgrade and maintenance of water supply systems, power supply distribution rooms and power supply circuit, fire facilities and equipment, lighting systems, monitoring systems of elevators and air conditioning systems, etc. 	<ul style="list-style-type: none"> • Within two years after the Listing • Within two years after the Listing • Within two years after the Listing

UNDERWRITING

HONG KONG UNDERWRITERS

Zhongtai International Securities Limited

BOCOM International Securities Limited

Haitong International Securities Company Limited

CM Securities (Hongkong) Company Limited

First Shanghai Securities Limited

Lead Securities (HK) Limited

Sheng Yuan Securities Limited

Victory Securities Company Limited

Emperio Securities And Assets Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 10,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination by notice in writing to us from the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of us in connection with the Global Offering (including any supplement or amendment thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of any of us, our executive Director and our Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Placing Underwriting Agreement; or
 - (v) any change or development or event involving a prospective material adverse change in the assets, liabilities, general affairs, management, business, prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of us (the “**Group Company**”); or
 - (vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or
 - (vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (viii) withdrawal of any of the Relevant Documents or the Global Offering; or
 - (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
 - (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
 - (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management member of our Group as set out in the section headed “Directors and senior management” of this prospectus; or
 - (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
 - (xiii) any material loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, national, regional or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military,

UNDERWRITING

industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) any imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the HK dollars or the RMB against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; 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” of this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of our Directors and senior management members of us as set out in the section headed “Directors and senior management” of this prospectus 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
- (xi) the chairman of our Board or chief executive officer of us vacating his or her office; or

UNDERWRITING

- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on us for whatever reason from allotting, issuing or selling the Offer Shares (including Shares which may be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or
- (xvi) the issue or requirement to issue by us of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of us or any Group Company or on any present or prospective shareholder of us in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in a material interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof in any material respect.

UNDERWRITING

Undertakings

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of us or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

UNDERWRITING

We have also undertaken that we will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of us during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, we enter into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of us. Each of our Controlling Shareholders undertakes to each of the Sole Global Coordinator and the Hong Kong Underwriters to use its best endeavors to procure us to comply with the above undertakings.

By our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of us, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that, except in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/her and the companies controlled by it/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of us or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/her directly or indirectly through its/her Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of us or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

UNDERWRITING

- (ii) at any time during the Second Six-Month Period, it/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of us or would together with the other Controlling Shareholders cease to be “controlling shareholders” (as defined in the Listing Rules) of us;
- (iii) in the event that it/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/she shall take all reasonable steps to ensure that it/she will not create a disorderly or false market for any Shares or other securities of us; and
- (iv) it/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of us.

Each of our Controlling Shareholders has further undertaken to each of us, the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that, within the period from the date by reference to which disclosure of its/her shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/she will:

- (i) when it/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of us will be sold, transferred or disposed of, immediately inform us and the Sole Sponsor in writing of such indications.

We shall inform the Stock Exchange in writing as soon as we have been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Listing Rules

By us

We have undertaken to the Stock Exchange that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or any issue of Shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, 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 securities will be completed within six months from the commencement of dealing).

UNDERWRITING

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the Capitalisation Issue or save as permitted under the Listing Rules, it/she shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/her shareholding in us is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/she is shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/she would cease to be a controlling shareholder (as defined under the Listing Rules) of us.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/she will:

- (a) when it/she pledges or charges any Shares beneficially owned by it/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of matters mentioned in paragraphs (a) and (b) above by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Underwriters' interests in us

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Placing Underwriting Agreement.

UNDERWRITING

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing Underwriting Agreement

In connection with the International Placing, we expect to enter into the International Placing Underwriting Agreement on the Price Determination Date with, among others, the International Placing Underwriters. Under the International Placing Underwriting Agreement, the International Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. See "Structure and conditions of the Global Offering – The International Placing" of this prospectus for further details. It is also expected that upon entering into the International Placing Underwriting Agreement, the International Placing will be fully underwritten.

Under the International Placing Underwriting Agreement, we intend to grant to the International Placing Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator (for itself and on behalf of the International Placing Underwriters) from the date of the International Placing Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover over-allocations in the International Placing, if any.

Total Commission and Expenses

Pursuant to the Hong Kong Underwriting Agreement, we will pay the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) an underwriting commission of 2.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Hong Kong Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Placing Underwriters, but not the Hong Kong Underwriters. In addition, we agreed, at our sole discretion, to pay the International Placing Underwriters a discretionary incentive fee of up to 1.0% of the aggregate Offer Price payable for the Offer Shares, including any additional Shares allotted and issued pursuant to the Over-allotment Option.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.75 per Offer Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$30.8 million (equivalent to approximately RMB26.6 million) in total and are payable by us.

UNDERWRITING

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, and each of their respective affiliates, as well as the directors, officers, employees and agents of each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters and of each of their respective affiliates, from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 10,000,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in “The Hong Kong Public Offering” in this section; and
- the International Placing of initially 90,000,000 Offer Shares (subject to adjustments and Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S as described below in “The International Placing” in this section.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 100,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged issued share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option. The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation as mentioned below.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 10,000,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in “Conditions of the Global Offering” in this section.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,000,000 Hong Kong Offer Shares initially available for subscription will be rejected. No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

The level of indication of interest in the International Placing, level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be announced on Friday, 6 March 2020 through a variety of channels as described in “How to apply for Hong Kong Offer Shares – 11. Publication of results” of this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the authority in its absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering are not undersubscribed but represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 30,000,000 Offer Shares (in the case of (1)), 40,000,000 Offer Shares (in the case of (2)) and 50,000,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii), (a)(iii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$1.50 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offering are required to pay, on application, maximum price of HK\$2.00 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$4,040.31 for one board lot of 2,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "Pricing of the Global Offering" in this section, is less than the maximum price of HK\$2.00 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to apply for Hong Kong Offer Shares" of this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 90,000,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and effected in accordance with the "bookbuilding" process described in "Pricing of the Global Offering" below in this section based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the Listing

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in “The Hong Kong Public Offering – Reallocation” in this section or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Placing Underwriters exercisable by the Sole Global Coordinator on behalf of the International Placing Underwriters.

Pursuant to the Over-allotment Option, the International Placing Underwriters have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Placing Underwriters) at any time during the period of 30 days from the last date for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to 15,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO. Stabilisation actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO include:

- (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above;
- (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
- (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and
- (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilising actions by the Stabilising Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or 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 as to the extent to which and the time or period for which the Stabilising Manager (or its affiliates or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or its affiliates or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Monday, 30 March 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering as determined in accordance with the Interpretation and General Clauses Ordinance (Chapter 1 of the Laws of Hong Kong). After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

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 15,000,000 Offer Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Foison Amber Development pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager and Foison Amber Development on or about Monday, 2 March 2020, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If the Stock Borrowing Agreement with Foison Amber Development is entered into, the borrowing of Offer Shares will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing; (b) the maximum number of Shares to be borrowed from Foison Amber Development pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; (c) the same number of Shares so borrowed must be returned to Foison Amber Development or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full; (d) the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and (e) no payments will be made to Foison Amber Development by the Stabilising Manager in relation to the Stock Borrowing Agreement.

PRICING OF THE GLOBAL OFFERING

We and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 2 March 2020, and in any event, not later than Tuesday, 3 March 2020.

The Offer Price will not be more than HK\$2.00 per Offer Share and is expected to be not less than HK\$1.50 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK\$2.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$2.00, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see the section headed "How to apply for Hong Kong Offer Shares" of this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The International Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of us, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice of the reduction on our website at www.xingyewulian.com and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this prospectus). In addition, we will:

- (i) issue a supplemental prospectus updating investors of the reduction in the Offer Price range together with an update of all financial and other information in connection with such changes;
- (ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range. 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 materially as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in “How to apply for Hong Kong Offer Shares – 11. Publication of results” of this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Sole Global Coordinator (for itself and on behalf the Underwriters) on the Price Determination Date;
- the execution and delivery of the Underwriting Agreements on or before the dates as mentioned in this prospectus; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Placing Underwriters under the International Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Placing Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 26 March 2020, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Tuesday, 3 March 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on our website at www.xingyewulian.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to apply for Hong Kong Offer Shares – 13.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Refund of application monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Friday, 6 March 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, 9 March 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination” of this prospectus has not been exercised at or before that time.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Placing Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement, are summarised in “Underwriting” of this prospectus.

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 Monday, 9 March 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 9 March 2020.

The Shares will be traded in board lots of 2,000 Shares each. The Stock Code of the Shares will be 9916.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing 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 by the **IPO App**; 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.

We, the Sole Global Coordinator, 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.

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 authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any condition it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR 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 us and/or any of our subsidiaries;
- a Director or chief executive officer of us and/or any of our subsidiaries;
- a connected person (as defined in the Listing Rules) of us or will become a connected person of us immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk under the **HK eIPO White Form** service or the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, 25 February 2020 and 12:00 noon on Friday, 28 February 2020 from:

- (i) any of the following offices of the Hong Kong Underwriters:

Zhongtai International Securities Limited

19th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

BOCOM International Securities Limited

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

Haitong International Securities Company Limited

22nd Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

CM Securities (Hongkong) Company Limited

24th Floor
China Taiping Tower
8 Sunning Road
Causeway Bay
Hong Kong

First Shanghai Securities Limited

19th Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Lead Securities (HK) Limited

Unit A, 23rd Floor
The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

Sheng Yuan Securities Limited

Room 2202
22nd Floor
238 Des Voeux Road Central
Central
Hong Kong

Victory Securities Company Limited

1101, 11th Floor
Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

Emperio Securities And Assets Management Limited

20th Floor
Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126, Queen's Road, Central, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2-12, Westlands Road, Quarry Bay, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
	Wong Tai Sin Branch	Shop 128, Level One, Temple Mall South, Wong Tai Sin Plaza, 103 Ching Tak Street, Wong Tai Sin, Kowloon
New Territories	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 25 February 2020 until 12:00 noon on Friday, 28 February 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (ASIA) NOMINEE LIMITED – XINGYE WULIAN SERVICE GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Tuesday, 25 February 2020
- 9:00 a.m. to 5:00 p.m., Wednesday, 26 February 2020
- 9:00 a.m. to 5:00 p.m., Thursday, 27 February 2020
- 9:00 a.m. to 12:00 noon, Friday, 28 February 2020

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 28 February 2020, the last application day or such later time as described in "10. Effect of bad weather and Extreme Conditions on the opening of the application lists" in this section.

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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 authorise us and/or the Sole Global Coordinator (or their agents or nominees), as agents of us, 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 (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 us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 Placing nor participated in the International Placing;
- (viii) agree to disclose to us, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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;

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- (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 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) authorise us to place your name(s) or the name of the HKSCC Nominees, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and us and/or our agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that we and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit 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 Form

You may refer to the Yellow Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

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 or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website or the **IPO App**, you authorise 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 service

You may submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 25 February 2020 until 11:30 a.m. on Friday, 28 February 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 28 February 2020 or such later time as set out in “10. Effect of bad weather and Extreme Conditions 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, we 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.

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (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;

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that us, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise us to place HKSCC Nominees' name on our 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 us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 us, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 us 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;

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our 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 us, for itself and for the benefit of each Shareholder (and so that we will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- 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 us or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, 25 February 2020 – 9:00 a.m to 8:30 p.m.
- Wednesday, 26 February 2020 – 8:00 a.m to 8:30 p.m.
- Thursday, 27 February 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 28 February 2020 – 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 25 February 2020 until 12:00 noon on Friday, 28 February 2020 (24 hours daily, except on Friday, 28 February 2020, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 28 February 2020, the last application day or such later time as described in “10. Effect of bad weather and Extreme Conditions 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, we 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 us, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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. We, our Directors, the Sole Global Coordinator, 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 Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 28 February 2020.

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 or by giving **electronic application instructions** to HKSCC or through **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

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- 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 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 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and conditions of the Global Offering – Pricing of the Global Offering” of this prospectus.

10. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 28 February 2020. 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 Friday, 28 February 2020 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected timetable” of this prospectus, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 6 March 2020 on our website at www.xingyewulian.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website at www.xingyewulian.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 6 March 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult or from the "Allotment Result" function in the **IPO App** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 6 March 2020 to 12:00 midnight on Thursday, 12 March 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 6 March 2020 to Wednesday, 11 March 2020 on a business day (excluding Saturday, Sunday and public holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 6 March 2020 to Tuesday, 10 March 2020 at all the receiving bank designated branches.

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and conditions of the Global Offering" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **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 us.

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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 we or our agents exercise their discretion to reject your application:

We, the Sole Global Coordinator, 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 us 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 Placing 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;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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- we or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 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\$2.00 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” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 6 March 2020.

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 cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Friday, 6 March 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” of 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 cheque(s) and/or Share certificate(s) from the Hong Kong 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 Friday, 6 March 2020 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 6 March 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 6 March 2020, 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 Friday, 6 March 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- 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 Friday, 6 March 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 6 March 2020 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 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, 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 Friday, 6 March 2020, or such other date as notified by us in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 6 March 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(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 Friday, 6 March 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we 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 Friday, 6 March 2020. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 6 March 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 Friday, 6 March 2020. 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 Friday, 6 March 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Listing Committee 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 advisor 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.



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The Directors
Xingye Wulian Service Group Co. Ltd.
Zhongtai International Capital Limited

Dear Sirs,

We report on the historical financial information of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-42, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 (the “**Track Record Period**”), the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 September 2019, and the statement of financial position of the Company as at 30 September 2019, and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-42 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 February 2020 (the “**Prospectus**”) in connection with the initial listing (“**Listing**”) of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company (the “**Directors**”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 September 2019, and the financial position of the Company as at 30 September 2019, and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
25 February 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
REVENUE.....	5	47,276	76,068	131,046	89,693	127,296
Cost of sales		(24,968)	(37,862)	(68,755)	(45,424)	(68,705)
Gross profit.....		22,308	38,206	62,291	44,269	58,591
Other income and gains ...	5	131	882	1,905	1,810	741
Administrative expenses ...		(6,253)	(11,719)	(17,321)	(10,384)	(20,615)
Selling and marketing expenses		(833)	(970)	(1,349)	(744)	(1,008)
Finance costs.....	6	(34)	(56)	(68)	(51)	(50)
PROFIT BEFORE TAX.....	7	15,319	26,343	45,458	34,900	37,659
Income tax expense	10	(3,833)	(7,064)	(11,238)	(8,604)	(9,541)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD.....		<u>11,486</u>	<u>19,279</u>	<u>34,220</u>	<u>26,296</u>	<u>28,118</u>
Attributable to:						
Owners of the parent		<u>11,486</u>	<u>19,279</u>	<u>34,220</u>	<u>26,296</u>	<u>28,118</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted.....	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2016	2017	2018	30 September
		RMB'000	RMB'000	RMB'000	2019
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	14	322	2,275	2,298	2,123
Deferred tax assets	15	36	92	83	1,038
Right-of-use assets	17	1,107	1,124	1,259	2,744
Total non-current assets		1,465	3,491	3,640	5,905
CURRENT ASSETS					
Inventories	18	–	–	124	389
Trade receivables	19	9,658	6,019	13,806	17,810
Contract assets	20	–	–	8,356	9,770
Prepayments, other receivables and other assets	21	7,398	2,356	4,607	5,164
Cash and cash equivalents	22	31,443	119,526	161,397	146,567
Total current assets		48,499	127,901	188,290	179,700
CURRENT LIABILITIES					
Trade payables	23	2,463	3,751	11,434	6,728
Other payables and accruals	24	9,367	16,808	24,771	43,387
Contract liabilities	25	6,461	17,497	28,067	20,432
Tax payable		5,750	4,745	4,217	4,274
Provisions	26	–	–	–	22
Lease liabilities	17	324	769	1,304	1,776
Total current liabilities		24,365	43,570	69,793	76,619
NET CURRENT ASSETS		24,134	84,331	118,497	103,081
TOTAL ASSETS LESS CURRENT LIABILITIES		25,599	87,822	122,137	108,986
NON-CURRENT LIABILITIES					
Provisions	26	–	–	–	33
Lease liabilities	17	936	826	921	2,244
Total non-current liabilities		936	826	921	2,277
Net assets		24,663	86,996	121,216	106,709
EQUITY					
Equity attributable to owners of the parent:					
Share capital	27	–	–	–	–
Reserves	28	24,633	86,996	121,216	106,709
Total equity		24,663	86,996	121,216	106,709

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						Total equity
	Share capital	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 27	Note 28(i)	Note 28(ii)	Note 28(iii)	Note 28		
As at 1 January 2016	–	5,010	–	–	–	3,167	8,177
Profit and total comprehensive income for the year	–	–	–	–	–	11,486	11,486
Capital contributions	–	5,000	–	–	–	–	5,000
Transfer from retained profits	–	–	–	1,150	–	(1,150)	–
As at 31 December 2016 and 1 January 2017	–	10,010	–	1,150	–	13,503	24,663
Profit and total comprehensive income for the year	–	–	–	–	–	19,279	19,279
Capital contributions**	–	44,990	13,497	–	–	–	58,487
Capitalisation of retained profits and statutory surplus reserve**	–	–	5,125	(1,150)	–	(3,975)	–
Dividend declared	–	–	–	–	–	(17,323)	(17,323)
Equity-settled share-based payments (note 29)	–	–	–	–	1,890	–	1,890
Transfer from retained profits	–	–	–	1,950	–	(1,950)	–
As at 31 December 2017 and 1 January 2018	–	55,000	18,622	1,950	1,890	9,534	86,996
Profit and total comprehensive income for the year	–	–	–	–	–	34,220	34,220
Transfer from retained profits	–	–	–	3,212	–	(3,212)	–
As at 31 December 2018 and 1 January 2019	–	55,000	18,622	5,162	1,890	40,542	121,216
Profit and total comprehensive income for the period	–	–	–	–	–	28,118	28,118
Dividend declared	–	–	–	–	–	(42,625)	(42,625)
Transfer from retained profits	–	–	–	2,755	–	(2,755)	–
As at 30 September 2019	–	55,000	18,622	7,917	1,890	23,280	106,709

	Attributable to owners of the parent						Total equity
	Share capital	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 27	Note 28(i)	Note 28(ii)	Note 28(iii)	Note 28		
As at 1 January 2018 (audited)	–	55,000	18,622	1,950	1,890	9,534	86,996
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	26,296	26,296
Transfer from retained profits (unaudited)	–	–	–	2,486	–	(2,486)	–
As at 30 September 2018 (unaudited)	–	55,000	18,622	4,436	1,890	33,344	113,292

* These reserve accounts comprise the consolidated reserves of RMB24,663,000, RMB86,996,000, RMB121,216,000 and RMB106,709,000 in the consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 30 September 2019, respectively.

** For the year ended 31 December 2017, Xingye IOT Management (defined in note 1), the then parent company of the Group, had its registered capital increased from RMB10,010,000 to RMB55,000,000 and then converted into a joint stock company from a limited liability company. In connection with the paid-in capital increase and conversion into joint stock company, RMB58,487,000 was invested by the shareholders and RMB5,125,000 was converted to paid-in capital from retained profits and statutory surplus reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		15,319	26,343	45,458	34,900	37,659
Adjustments for:						
Depreciation of property, plant and equipment	7	32	122	544	537	485
Depreciation of right-of-use assets	7	119	262	427	313	260
Equity-settled share-based payments	29	–	1,890	–	–	–
Finance costs	6	34	56	68	51	50
Impairment losses/(reversal of impairment) on trade receivables and contract assets	4	142	(44)	235	22	15
		15,646	28,629	46,732	35,823	38,469
(Increase)/decrease in trade receivables		(7,139)	3,683	(7,937)	(1,563)	(4,006)
Decrease/(increase) in prepayments, other receivables and other assets		4,351	5,042	(1,430)	68	1,467
Increase in inventories		–	–	(124)	–	(265)
Increase in contract assets		–	–	(8,441)	–	(1,427)
Increase/(decrease) in trade payables		1,508	1,288	7,683	2,191	(4,706)
Increase in other payable and accruals		3,321	7,441	7,963	5,925	18,042
Increase/(decrease) in contract liabilities		3,848	11,036	10,570	(918)	(7,635)
Cash generated from operations		21,535	57,119	55,016	41,526	39,939
Income tax paid		(1,336)	(8,125)	(12,578)	(10,094)	(10,439)
Net cash flows from operating activities		20,199	48,994	42,438	31,432	29,500
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of items of property, plant and equipment		26	–	–	–	–
Purchases of items of property, plant and equipment		(320)	(2,075)	(567)	(294)	(310)
Net cash flows used in investing activities		(294)	(2,075)	(567)	(294)	(310)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contributions from owners		5,000	58,487	–	–	–
Dividends paid		–	(17,323)	–	–	(42,625)
Listing expenses		–	–	–	–	(1,395)
Net cash flows from/(used in) financing activities		5,000	41,164	–	–	(44,020)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24,905	88,083	41,871	31,138	(14,830)
Cash and cash equivalents at beginning of year/period		6,538	31,443	119,526	119,526	161,397
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		31,443	119,526	161,397	150,664	146,567
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position	22	31,443	119,526	161,397	150,664	146,567

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 30 September 2019
		RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	<i>13</i>	352
Total non-current asset		<u>352</u>
Current liability		
Due to a related party	<i>16</i>	352
Total current liability		<u>352</u>
Net asset		<u>–</u>
EQUITY		
Share capital	<i>27</i>	–
Total equity		<u><u>–</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 12 August 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, development and Reorganisation" in the Prospectus (the "Reorganisation"). The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation in September 2019. Apart from the Reorganisation, the Company has not commenced any business and operation since its incorporation. During the Track Record Period, the subsidiaries now comprising the Group were principally engaged in property management and value-added services, property engineering services and ancillary food supply services.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of business	Registered share capital	Percentage of equity interests attributable to the Company		Principal business	Notes
			Direct	Indirect		
Siu Wing Holdings Limited (兆翔控股有限公司)	The British Virgin Islands ("BVI")	USD50,000	100	–	Investment holding	(i)
Xingye IOT Company Limited (興業物聯有限公司)	Hong Kong	HK\$10,000	–	100	Investment holding	(i)
Henan Xingye Internet of Things Management Technology Co., Ltd.* ("Xingye IOT Management") (河南興業物聯網管理科技有限 公司)	People's Republic of China ("PRC")/ Mainland China 20 October 1999	RMB55,000,000	–	100	Property management	(ii)(iii)
Henan Wuxiang Intellectual Technology Co., Ltd.*/# (河南 物象智能科技有限公司)	PRC/Mainland China 9 August 2017	RMB20,000,000	–	100	Property engineering	(ii)
Henan Xingye Internet of Things Information Consulting Co., Ltd.* ("Xingye Consulting") (河南 興業物聯信息諮詢有限公司) ..	PRC/Mainland China 20 April 2018	RMB10,000,000	–	100	Information consultation	(ii)

* The English names of the companies registered in the PRC represent the best efforts made by the Company in directly translating the Chinese names of these companies as no English names have been registered.

Formerly known as Henan Lianxiang Building Intelligent Engineering Co., Ltd.* (河南聯翔建築智能化工程有限公司).

Notes:

- (i) As at the date of this report, no audited financial statement have been prepared for these entities.
- (ii) The statutory financial statements of the these entities for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with Accounting System for Business Enterprises were audited by Yatai (Group) Certified Public Accounts (LLP) (亞太(集團)會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (iii) Xingye IOT Management commenced quotation on the National Equities Exchange and Quotations ("NEEQ") in September 2017 and ceased quotation on the NEEQ in January 2019.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group in September 2019.

As the Reorganisation mainly involved inserting new holding companies at the top of the existing companies now comprising the Group, the Group is deemed as a continuation of the existing companies. Accordingly, for the purpose of this report, the Historical Financial Information for the Track Record Period has been prepared as a continuation of the consolidated financial information of Xingye IOT Management.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019 present the assets and liabilities of the companies now comprising the Group, measured at their historical carrying amounts prior to the Reorganisation.

All intra-group transactions and balances within the Group are eliminated on consolidated.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2018 and 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarification to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases* together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

These financial statements have been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 3	<i>Definition of a Business</i> ¹
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's result of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on the consolidated.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal,

and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the reporting periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	9.5%
Electronic equipment and others	19%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development cost

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Track Record Period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each of the Track Record Period with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Track Record Period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and lease liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Track Record Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

The Group provides for warranties in relation to the provision of property engineering services for general repairs of defects occurring during the warranty period of two years. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and estimation of the level of repairs, discounted to their present values as appropriate. The Group accounts for the warranty in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business consolidated and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business consolidated and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of ancillary food or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

Revenue is measured at the fair value of the consideration received or receivable for the services or goods provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

(a) Property management and value-added services

For property management services, the Group bills a fixed amount for services provided on semi-annually basis and revenue is recognised over the service period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

For value-added services, revenue is recognised at a point in time when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

(b) Property engineering services

Revenue from the provision of property engineering services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the property engineering services.

(c) *Ancillary food supply services*

Revenue from ancillary food supply services are recognised at point in time when control of the goods is transferred to the customer, generally on the acceptance of the goods by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

The Group issued shares for the purpose of rewarding participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (i) Determining the timing of satisfaction of property engineering services

The Group concluded that revenue for property engineering services is to be recognised over time because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Measurement of progress toward complete satisfaction of property engineering services

The Group uses input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual costs incurred relative to the estimated total costs. The Group determined that the input method is the best method in measuring the progress of the property engineering services because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of goods and services to the customer. The Group recognises revenue on the basis of the costs expended relative to the total expected costs to complete the services. Actual costs incurred include direct and indirect costs in the process of transferring goods and services from the Group to customers. The Group believes that contract price is based on costs. Therefore, the proportion of actual costs incurred relative to the total expected costs can reflect the progress toward satisfaction of property engineering services. Since the duration of performance obligation is relatively long and it may fall in two accounting periods, the Group will review contract, revise budget and adjust revenue accordingly as the contract carries forward.

Provisions

Significant management estimates are involved in the determination of the cost of assurance-type warranty to be incurred during the warranty period. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the size of the project, relevant correspondences and contracts with customers. The management estimates the cost for warranty services with regard to the Group's experience in addressing such matters.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets are disclosed in notes 19 and 20 to the Historical Financial Information.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Track Record Period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

- (a) Property management and value-added services
- (b) Property engineering services
- (c) Ancillary food supply services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit.

Segment revenue

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Property management and value-added services	47,276	76,068	107,480	78,807	111,790
Property engineering services	–	–	18,297	6,651	14,776
Ancillary food supply services	–	–	5,269	4,235	730
	<u>47,276</u>	<u>76,068</u>	<u>131,046</u>	<u>89,693</u>	<u>127,296</u>

Segment results

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Property management and value-added services	15,319	26,613	42,826	33,151	36,812
Property engineering services	–	(270)	2,535	877	1,294
Ancillary food supply services	–	–	97	872	(447)
Profit before tax	<u>15,319</u>	<u>26,343</u>	<u>45,458</u>	<u>34,900</u>	<u>37,659</u>

Segment assets

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Property management and value-added services	49,964	121,309	172,847	156,055
Property engineering services	–	10,083	18,165	27,368
Ancillary food supply services	–	–	918	2,182
	<u>49,964</u>	<u>131,392</u>	<u>191,930</u>	<u>185,605</u>

Segment liabilities

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Property management and value-added services	25,301	44,111	63,540	71,779
Property engineering services	–	285	6,343	4,577
Ancillary food supply services	–	–	831	2,540
	<u>25,301</u>	<u>44,396</u>	<u>70,714</u>	<u>78,896</u>

Other segment information

For the year ended 31 December 2016

	Property management and value-added services
	RMB'000
Additions to property, plant and equipment	320
Depreciation of property, plant and equipment	32
Depreciation of right-of-use assets	119
Impairment losses on trade receivables	142

For the year ended 31 December 2017

	Property management and value-added services	Property engineering services	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	2,075	–	2,075
Depreciation of property, plant and equipment	122	–	122
Depreciation of right-of-use assets	204	58	262
Reversal of impairment on trade receivables	(44)	–	(44)

For the year ended 31 December 2018

	Property management and value- added services	Property engineering services	Ancillary food supply services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	567	–	–	567
Depreciation of property, plant and equipment	544	–	–	544
Depreciation of right-of-use assets	204	139	84	427
Impairment losses on trade receivables and contract assets	150	85	–	235
	<u>150</u>	<u>85</u>	<u>–</u>	<u>235</u>

For the nine months ended 30 September 2018 (Unaudited)

	Property management and value- added services	Property engineering services	Ancillary food supply services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	294	–	–	294
Depreciation of property, plant and equipment	537	–	–	537
Depreciation of right-of-use assets	153	105	55	313
Impairment losses on trade receivables ..	12	10	–	22
	<u>12</u>	<u>10</u>	<u>–</u>	<u>22</u>

For the nine months ended 30 September 2019

	Property management and value- added services	Property engineering services	Ancillary food supply services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	258	52	–	310
Depreciation of property, plant and equipment	475	10	–	485
Depreciation of right-of-use assets	113	81	66	260
(Reversal of impairment)/impairment losses on trade receivables and contract assets	(22)	26	11	15
	<u>(22)</u>	<u>26</u>	<u>11</u>	<u>15</u>

Geographical information

Since the Group has operates in Mainland China only, no further operating geographical segment analysis thereof is presented.

Information about major customers

During the Track Record Period and the nine months ended 30 September 2018, no single customer has contributed 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<u>Type of products or services</u>					
Property management and value-added services	47,276	76,068	107,480	78,807	111,790
Property engineering services	–	–	18,297	6,651	14,776
Ancillary food supply services	–	–	5,269	4,235	730
	<u>47,276</u>	<u>76,068</u>	<u>131,046</u>	<u>89,693</u>	<u>127,296</u>

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<u>Timing of revenue recognition</u>					
<u>At a point in time</u>					
Value-added services	1,744	4,022	4,562	3,518	6,435
Ancillary food supply services	–	–	5,269	4,235	730
<u>Over time</u>					
Property management	45,532	72,046	102,918	75,289	105,355
Property engineering services	–	–	18,297	6,651	14,776
	<u>47,276</u>	<u>76,068</u>	<u>131,046</u>	<u>89,693</u>	<u>127,296</u>

The following table shows the revenue recognised in relation to contract liabilities carried forward from the end of the prior year:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<u>Type of products or services</u>					
Property management and value-added services	<u>2,637</u>	<u>6,461</u>	<u>17,497</u>	<u>17,497</u>	<u>28,067</u>

Performance obligations

Information about the Group's performance obligations is summarised below:

Property management

The performance obligation is satisfied over time and payments are generally paid in advance. For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for property management. The majority of the property management service contracts do not have a fixed term.

Value-added services

The performance obligation is satisfied at a point in time and payments are generally due when the services are rendered. For value-added services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of each of the Track Record Period.

Property engineering services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of property engineering services as at the end of each of the Track Record Period are as follows:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Within 1 year	–	8,855	27,598	48,878
1 to 2 years	–	–	–	6,875
	–	8,855	27,598	55,753

Ancillary food supply services

The performance obligation is satisfied upon acceptance of the goods by the customer and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required. There is no unsatisfied performance obligation for ancillary food supply services at the end of each of the Track Record Period.

An analysis of other income and gains is as follows:

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants*	–	–	1,280	1,280	–
Interest income	107	838	619	530	263
Other gains	24	44	6	–	478
	131	882	1,905	1,810	741

* Government grants related to income that are received or receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. These government grants are recognised in profit or loss in the period in which they become receivable.

6. FINANCE COSTS

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest expenses on lease liabilities (note 17)	34	56	68	51	50

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of service provided	24,968	37,862	63,706	42,137	67,926
Cost of ancillary food supplied	–	–	5,049	3,287	779
Employee benefit expense (including directors' remuneration)					
Wages and salaries	7,328	13,399	16,148	12,132	14,226
Equity-settled share-based payments (note 29)	–	1,890	–	–	–
Pension scheme contributions	900	1,263	1,783	1,324	1,333
Depreciation of property, plant and equipment (note 14)	32	122	544	537	485
Depreciation of right-of-use assets (note 17)	119	262	427	313	260
Research and development expenses	–	265	3,012	231	866
Auditors' remuneration	85	236	142	142	–
Impairment losses/(reversal of impairment) on trade receivables and contract assets	142	(44)	235	22	15
Listing expenses	–	–	–	–	8,551

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for each of the Track Record Period and the nine months ended 30 September 2018, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

The Company was incorporated on 12 August 2019. Mr. Zhu Jie ("Mr. Zhu") was appointed as a director of the Company on 12 August 2019 and was re-designated as an executive director of the Company on 17 September 2019. Ms. Zhang Huiqi ("Ms. Zhang"), Mr. Wang Jinhua ("Mr. Wang") and Mr. Liu Zhenqiang ("Mr. Liu") were appointed as directors of the Company on 12 August 2019 and were re-designated as non-executive directors of the Company on 17 September 2019. Mr. Feng Zhidong ("Mr. Feng") and Mr. Zhou Sheng ("Mr. Zhou") were appointed as directors of the Company on 12 August 2019 and were re-designated as independent non-executive directors of the Company on 17 September 2019. Mr. Xu Chun ("Mr. Xu") was appointed as a director of the Company on 9 September 2019 and was re-designated as an independent non-executive director of the Company on 17 September 2019.

Ms. Zhang, Mr. Wang, Mr. Liu, Mr. Xu, Mr. Feng and Mr. Zhou didn't receive any remuneration from the Company or the subsidiaries now comprising the Group during the Track Record Period. Mr. Zhu received remuneration from a subsidiary of the Company for his appointment as director of the subsidiary. The remuneration of Mr. Zhu as recorded in the Historical Financial Information is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	165	184	241	181	192
Equity-settled share-based payments	–	810	–	–	–
Pension scheme contributions	–	12	17	11	11
	165	1,006	258	192	203

Mr. Zhu is also the chief executive of the Company, and his remuneration disclosed above included the services rendered by him as the chief executive.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period and the nine months ended 30 September 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for each of the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019 included one, one, one, one and one director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four, four, four, four and four highest paid employees who are not directors of the Company, for each of the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	625	775	1,041	731	898
Equity-settled share-based payments	–	810	–	–	–
Pension scheme contributions	23	46	48	37	54
	<u>648</u>	<u>1,631</u>	<u>1,089</u>	<u>768</u>	<u>952</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong.

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, except for Xingye Consulting enjoyed a preferential enterprise tax rate during the year ended 31 December 2018 and the nine months ended 30 September 2019, the subsidiaries which operate in Mainland China are subject to enterprise income tax ("EIT") at a rate of 25% on the taxable income.

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current	3,478	7,120	11,229	8,542	10,496
Deferred (note 15)	355	(56)	9	62	(955)
Total tax charge for the year/period	<u>3,833</u>	<u>7,064</u>	<u>11,238</u>	<u>8,604</u>	<u>9,541</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	15,319	26,343	45,458	34,900	37,659
Tax at the statutory rate of 25%	3,830	6,586	11,365	8,725	9,415
Preferential tax rate applicable to a subsidiary	–	–	(14)	(131)	89
Tax incentives on eligible expenditures	–	–	(125)	–	–
Expenses not deductible for tax	3	478	12	10	15
Tax losses not recognised	–	–	–	–	22
Total tax expense for the year/period	<u>3,833</u>	<u>7,064</u>	<u>11,238</u>	<u>8,604</u>	<u>9,541</u>

11. DIVIDENDS

No dividend has been paid or declared by the Company from its date of incorporation.

The distribution amounts set out in the consolidated statements of changes in equity of RMB17,323,000 and RMB42,625,000 for the year ended 31 December 2017 and the nine months ended 30 September 2019, respectively, represented the dividends declared by Xingye IOT Management to its then shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the Historical Financial Information of the Group for the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019 as disclosed in note 2.1 above.

13. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost	–	–	–	352

Particulars of the subsidiary of the Company are included in note 1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Electronic equipment and others	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2016	–	344	344
Additions	115	205	320
Disposals	–	(310)	(310)
At 31 December 2016	115	239	354
Accumulated depreciation:			
At 1 January 2016	–	284	284
Depreciation charge	3	29	32
Disposals	–	(284)	(284)
At 31 December 2016	3	29	32
Net carrying amount:			
At 1 January 2016	–	60	60
At 31 December 2016	112	210	322
	Machinery	Electronic equipment and others	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2017	115	239	354
Additions	19	2,056	2,075
At 31 December 2017	134	2,295	2,429
Accumulated depreciation:			
At 1 January 2017	3	29	32
Depreciation charge	12	110	122
At 31 December 2017	15	139	154
Net carrying amount:			
At 1 January 2017	112	210	322
At 31 December 2017	119	2,156	2,275
Cost:			
At 1 January 2018	134	2,295	2,429
Additions	–	567	567
At 31 December 2018	134	2,862	2,996
Accumulated depreciation:			
At 1 January 2018	15	139	154
Depreciation charge	13	531	544
At 31 December 2018	28	670	698
Net carrying amount:			
At 1 January 2018	119	2,156	2,275
At 31 December 2018	106	2,192	2,298

	Machinery	Electronic equipment and others	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2019	134	2,862	2,996
Additions	–	310	310
At 30 September 2019	134	3,172	3,306
Accumulated depreciation:			
At 1 January 2019	28	670	698
Depreciation charge	10	475	485
At 30 September 2019	38	1,145	1,183
Net carrying amount:			
At 1 January 2019	106	2,192	2,298
At 30 September 2019	96	2,027	2,123

The Group had no pledged property, plant and equipment as at the end of each of the Track Record Period.

15. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Track Record Period are as follows:

	Impairment losses	Tax losses	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	–	391	–	391
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 10</i>)	36	(391)	–	(355)
Deferred tax assets as at 31 December 2016 and 1 January 2017	36	–	–	36
Deferred tax (charged)/credited to the statement of profit or loss during the year (<i>note 10</i>)	(11)	67	–	56
Deferred tax assets as at 31 December 2017 and 1 January 2018	25	67	–	92
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 10</i>)	58	(67)	–	(9)
Deferred tax assets as at 31 December 2018 and 1 January 2019	83	–	–	83
Deferred tax credited to the statement of profit or loss during the period (<i>note 10</i>)	4	–	951	955
Deferred tax assets as at 30 September 2019	87	–	951	1,038

16. DUE TO A RELATED PARTY

The amount due to a related company is non-trade in nature, unsecured, interest-free and repayable on demand. The balance was generated from the Reorganisation and was subsequently settled in October 2019.

17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Track Record Period:

	Buildings	
	Right-of-use assets	Lease liabilities
As at 1 January 2016	–	–
Additions	1,226	1,226
Depreciation charge	(119)	–
Interest expense	–	34
As at 31 December 2016 and 1 January 2017	1,107	1,260
Additions	279	279
Depreciation charge	(262)	–
Interest expense	–	56
As at 31 December 2017 and 1 January 2018	1,124	1,595
Additions	562	562
Depreciation charge	(427)	–
Interest expense	–	68
As at 31 December 2018 and 1 January 2019	1,259	2,225
Additions	1,745	1,745
Depreciation charge	(260)	–
Interest expense	–	50
As at 30 September 2019	2,744	4,020

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Lease liabilities	1,260	1,595	2,225	4,020
Repayable:				
Within one year	324	769	1,304	1,776
In the second year	195	392	323	320
In the third to fifth years, inclusive	741	434	598	1,924
	1,260	1,595	2,225	4,020
Analyzed into:				
Current portion	324	769	1,304	1,776
Non-current portion	936	826	921	2,244

Included in lease liabilities are amounts due to related parties of RMB138,000, RMB374,000, RMB701,000 and RMB974,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively.

18. INVENTORIES

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Raw materials	–	–	124	389

19. TRADE RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Trade receivables	9,800	6,117	14,054	18,060
Impairment	(142)	(98)	(248)	(250)
	<u>9,658</u>	<u>6,019</u>	<u>13,806</u>	<u>17,810</u>

The Group's trading terms for rendering property management and value-added services with its customers are mainly payment in advance. The trading terms for property engineering services and ancillary food supply services are mainly on credit and the credit period is generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in trade receivables are amounts due from related parties amounted to RMB8,016,000, RMB2,901,000, RMB5,955,000 and RMB12,299,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively.

The carrying amount of trade receivables approximates to their fair value.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 year	7,051	5,476	12,245	16,898
1 to 2 years	2,607	543	1,029	800
2 to 3 years	–	–	532	112
	<u>9,658</u>	<u>6,019</u>	<u>13,806</u>	<u>17,810</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At beginning of year/period	–	142	98	248
Impairment losses/(reversal of impairment)	142	(44)	150	2
At end of year/period	<u>142</u>	<u>98</u>	<u>248</u>	<u>250</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Throughout the Track Record Period, the management kept monitoring the recoverability of trade receivables, since the actual loss rate for trade receivables and the adjustments for forward looking factors did not have significant changes during the Track Record Period, the management kept the same expected credit loss rate during the Track Record Period. If there is an indicator for a significant change in credit risk, the management would reassess and revise the expected credit loss rates where appropriate during such period ended.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2016	Ageing			Total
	within 1 year	1 – 2 years	2 – 3 years	
Expected credit loss rate for independent third parties	2%	5%	10%	2%
Gross carrying amount due from independent third parties (RMB'000)	1,784	–	–	1,784
Expected credit losses (RMB'000) ..	36	–	–	36
Expected credit loss rate for related parties	1%	2%	4%	1.3%
Gross carrying amount due from related parties (RMB'000)	5,355	2,661	–	8,016
Expected credit losses (RMB'000) ..	53	53	–	106
Total expected credit losses	89	53	–	142

As at 31 December 2017	Ageing			Total
	within 1 year	1 – 2 years	2 – 3 years	
Expected credit loss rate	2%	5%	10%	2%
Gross carrying amount due from independent third parties (RMB'000)	3,216	–	–	3,216
Expected credit losses (RMB'000) ..	64	–	–	64
Expected credit loss rate	1%	2%	4%	1.3%
Gross carrying amount due from related parties (RMB'000)	2,347	554	–	2,901
Expected credit losses (RMB'000) ..	23	11	–	34
Total expected credit losses	87	11	–	98

As at 31 December 2018	Ageing			Total
	within 1 year	1 – 2 years	2 – 3 years	
Expected credit loss rate	2%	5%	10%	2%
Gross carrying amount due from independent third parties (RMB'000)	8,099	–	–	8,099
Expected credit losses (RMB'000) ..	162	–	–	162
Expected credit loss rate	1%	2%	4%	1.3%
Gross carrying amount due from related parties (RMB'000)	4,351	1,050	554	5,955
Expected credit losses (RMB'000) ..	43	21	22	86
Total expected credit losses	205	21	22	248

As at 30 September 2019	Ageing			Total
	within 1 year	1 – 2 years	2 – 3 years	
Expected credit loss rate	2%	5%	10%	2%
Gross carrying amount due from independent third parties (RMB'000)	5,761	–	–	5,761
Expected credit losses (RMB'000) ..	115	–	–	115
Expected credit loss rate	1%	2%	4%	1.3%
Gross carrying amount due from related parties (RMB'000)	11,366	817	116	12,299
Expected credit losses (RMB'000) ..	114	16	5	135
Total expected credit losses	229	16	5	250

20. CONTRACT ASSETS

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Contract assets arising from provision of property engineering services	–	–	8,441	9,868
Impairment	–	–	(85)	(98)
	–	–	8,356	9,770

Contract assets are initially recognised for revenue earned from property engineering services as the receipt of consideration is conditional on certain milestones or successful completion of construction. Upon the milestones or completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 19 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Track Record Period is as follows:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 year	–	–	7,938	9,282
2 to 3 years	–	–	418	488
	–	–	8,356	9,770

The movements in the loss allowance for impairment of contract assets are as follows:

	As at	As at
	31 December	30 September
	2018	2019
At beginning of year/period	–	85
Impairment losses	85	13
At end of year/period	85	98

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on ageing trade receivables for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Through out the Track Record Period, the management kept monitoring the recoverability of contract assets, since the actual loss rate for contract assets and the adjustments for forward looking factors did not have significant changes during the Track Record Period, the management kept the same expected credit loss rate during the Track Record Period. If there is an indicator for a significant change in credit risk, the management would reassess and revise the expected credit loss rates where appropriate during such period ended.

All contract assets as at 31 December 2018 and 30 September 2019 were recognised from property engineering services rendered to related parties.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December	As at 30 September
	2018	2019
Expected credit loss rate	1%	1%
Gross carrying amount	8,441	9,868
Expected credit losses (RMB'000)	<u>85</u>	<u>98</u>

Included in carrying amounts of contract assets as stated above comprise retention money of RMB418,000 and RMB488,000 as at 31 December 2018 and 30 September 2019, respectively.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 2 years (i.e., the warranty period) from the date of completion of respective property engineering services in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of the whole project as set out in the contract, the customers will issue a completion certificate. Generally, two years after the issuance of the completion certificate, the whole retention money of such project will be released to the Group. This amount of retention money is included in contract assets until the end of the warranty period as the Group's entitlement to this final payment is conditional on completion of warranty period. The Group is responsible, at its own costs, for remedial works that may arise from defective works or materials used. The warranty period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. The retention money does not have any significant financing component for financing benefit.

The retention money is to be settled at the end of each of the Track Record Period as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
After one year	<u>–</u>	<u>–</u>	<u>418</u>	<u>488</u>

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	–	–	4	2
Capitalised listing expenses	–	–	–	2,845
Deposits	12	403	608	379
Other receivables	496	1,953	3,174	1,124
Amounts due from related parties	6,890	–	–	–
Value-added tax recoverable	–	–	821	814
	<u>7,398</u>	<u>2,356</u>	<u>4,607</u>	<u>5,164</u>

The amounts due from related parties were non-trade in nature, non-interest-bearing and repayable on demand.

The carrying amounts of financial assets included in prepayments, other receivables and other assets approximate to their fair values. None of the above assets is either past due or impaired. As at the end of each of the Track Record Period, deposits and other receivables are classified within stage 1 and no impairment was provided for. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Cash and bank balances	31,443	119,526	161,397	46,567
Time deposits	–	–	–	100,000
Cash and cash equivalents	<u>31,443</u>	<u>119,526</u>	<u>161,397</u>	<u>146,567</u>
Denominated in:				
RMB	<u>31,443</u>	<u>119,526</u>	<u>161,397</u>	<u>146,567</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default and no expected credit loss was expected to incur.

The carrying amounts of cash and cash equivalents approximate to their fair values.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Within 3 months	<u>2,463</u>	<u>3,751</u>	<u>11,434</u>	<u>6,728</u>

The trade payables are non-interest-bearing and are normally settled in less than three months. The carrying amounts of trade payables approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Payroll payables	2,514	2,865	4,299	5,987
Tax payables other than income tax	1,626	1,898	2,611	1,318
Amounts due to related parties ..	441	2,469	6,869	12,144
Deposits	1,943	5,655	4,184	6,873
Listing expenses	–	–	–	5,802
Other payables	2,843	3,921	6,808	11,263
	<u>9,367</u>	<u>16,808</u>	<u>24,771</u>	<u>43,387</u>

The amounts due to related parties were non-trade in nature, non-interest-bearing and repayable on demand.

The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

25. CONTRACT LIABILITIES

	As at 31 December			As at
	2016	2017	2018	30 September
	RMB'000	RMB'000	RMB'000	2019
Advanced receipts for property management and value-added services	6,461	17,497	28,067	20,432

Included in contract liabilities are advanced receipts from related parties of RMB29,000 and RMB153,000 as at 31 December 2017 and 2018, respectively. The increase in contract liabilities during the Track Record Period was mainly due to the continuous increase in the number of properties under management by the Group.

26. PROVISIONS

	Assurance-type warranties
	RMB'000
At 1 January 2019	–
Arising during the period	55
At 30 September 2019	55
Analysed into:	
Current	22
Non-current	33

The above provision is recognised for expected warranty claims on services provided during the nine months ended 30 September 2019, based on estimation of the management. It is expected that these costs will be incurred in the next one to two years. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about repairs based on the warranty period for the services provided.

27. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 August 2019 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, one fully paid subscriber share was allotted and issued to an initial subscriber who is an independent third party, and the said share was then transferred to Foison Amber Development Limited (“**Foison Amber Development**”), a company limited by shares incorporated under the laws of the BVI. Upon completion of the above, the Company was wholly-owned by Foison Amber Development.

28. RESERVES

The amounts of the Group's capital and reserves and the movements therein for the each of the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019 are presented in the consolidated statements of changes in equity.

(i) Merger reserve

The merger reserve of the Group represents the registered capital contributions to the then parent company of the Group before the Reorganisation. The addition during the Track Record Period represents the injections of additional paid-in capital by the equity holders of the then parent company.

(ii) Capital reserve

The capital reserve of the Group represents: (a) the difference between the consideration paid by the equity holders to the then parent company and the registered capital, and (b) the capitalisation of retained profits and statutory surplus reserve of the then parent company.

(iii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of

association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

29. SHARE-BASED PAYMENTS

In February 2017, Xingye IOT Management had its registered capital increased from RMB10,010,000 to RMB55,000,000, with additional contributions made by Henan Zensun Enterprise Development Group Co., Ltd. ("Zensun Development"), the 100% controlling shareholder of Xingye IOT Management before the capital increase, Henan Haifeng Enterprise Management Consulting Center (Limited Partnership), Henan Qian Zhiyi Enterprise Management Consulting Center (Limited Partnership) and Henan Zhuoneng Enterprise Management Consulting Center (Limited Partnership) (together, the "Three New Investors") as to RMB31,490,000, RMB4,300,000, RMB4,700,000 and RMB4,500,000, respectively, which were paid up by cash in February 2017. Immediately after the capital increase, 75.45% of the share capital of Xingye IOT Management was owned by Zensun Development and the remaining 24.55% was owned by the Three New Investors.

Certain shareholders of the Three New Investors are employees of the Group. As an incentive to these employees, the cash investments from the Three New Investors was lower than the fair value of the underlying equity interest, which was assessed by an independent third-party valuer. These transactions were accounted for as equity-settled share-based payments in accordance with IFRS 2 *Share-based Payment*. There was no vesting condition associated with the investment and the share-based payment expenses of RMB1,890,000 were charged to the consolidated statements of profit or loss when incurred in 2017.

30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of each of the Track Record Period.

31. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period and the nine months ended 30 September 2018:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sales of service or product:					
Property management and value-added services rendered to related parties.....	6,864	10,046	17,176	9,935	19,762
Property engineering services rendered to related parties.....	–	–	18,297	6,651	14,776
Ancillary food sold to related parties	–	–	5,215	3,172	36
	<u>6,864</u>	<u>10,046</u>	<u>40,688</u>	<u>19,758</u>	<u>34,574</u>
Rental fee incurred with a related party	<u>138</u>	<u>236</u>	<u>327</u>	<u>220</u>	<u>273</u>

(b) Outstanding balances with related parties

Details of the Group's outstanding balances of trade receivables, contract assets, other receivables, other payables, contract liabilities, and lease liabilities and amounts with related parties are disclosed in notes 19, 20, 21, 23, 25, 17 and 16 to the Historical Financial Information, respectively. For the amounts due from/to related parties which are non-trade in nature, the Directors confirm that the balance will be settled before the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Short term employee benefits	165	184	241	181	192
Equity-settled share-based payments	–	810	–	–	–
Post-employment benefits	–	12	17	11	11
	<u>165</u>	<u>1,006</u>	<u>258</u>	<u>192</u>	<u>203</u>

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost				
Trade receivables	9,658	6,019	13,806	17,810
Financial assets included in prepayments, other receivables and other assets	7,398	2,356	3,782	1,503
Cash and cash equivalents	31,443	119,526	161,397	146,567
	<u>48,499</u>	<u>127,901</u>	<u>178,985</u>	<u>165,880</u>
Financial liabilities at amortised cost				
Trade payables	2,463	3,751	11,434	6,728
Financial liabilities included in other payables and accruals	5,227	12,045	17,861	36,082
Lease liabilities	1,260	1,595	2,225	4,020
	<u>8,950</u>	<u>17,391</u>	<u>31,520</u>	<u>46,830</u>

The carrying amounts of the above financial assets and financial liabilities approximate to their fair values.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end/period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year staging classification. The amounts presented are gross carrying amounts for financial assets.

31 December 2016

	12-month ECL	Lifetime ECL		Simplified approach	Total
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000		
Trade receivables	–	–	–	9,800	9,800
Financial assets included in prepayments, other receivables and other assets					
– Normal*	7,398	–	–	–	7,398
Cash and cash equivalents					
– Not yet past due	31,443	–	–	–	31,443
	<u>38,841</u>	<u>–</u>	<u>–</u>	<u>9,800</u>	<u>48,641</u>

31 December 2017

	12-month ECL	Lifetime ECL		Simplified approach	Total
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000		
Trade receivables	–	–	–	6,117	6,117
Financial assets included in prepayments, other receivables and other assets					
– Normal*	2,356	–	–	–	2,356
Cash and cash equivalents					
– Not yet past due	119,526	–	–	–	119,526
	<u>121,882</u>	<u>–</u>	<u>–</u>	<u>6,117</u>	<u>127,999</u>

31 December 2018

	12-month ECL	Lifetime ECL		Simplified approach	Total
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000		
Trade receivables	–	–	–	14,054	14,054
Financial assets included in prepayments, other receivables and other assets					
– Normal*	3,782	–	–	–	3,782
Contract assets	–	–	–	8,441	8,441
Cash and cash equivalents					
– Not yet past due	161,397	–	–	–	161,397
	<u>165,179</u>	<u>–</u>	<u>–</u>	<u>22,495</u>	<u>187,674</u>

30 September 2019

	12-month	Lifetime ECL		Simplified approach	Total
	ECL	Stage 2	Stage 3		
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	18,060	18,060
Financial assets included in prepayments, other receivables and other assets					
– Normal*	1,503	–	–	–	1,503
Contract assets	–	–	–	9,868	9,868
Cash and cash equivalents					
– Not yet past due	146,567	–	–	–	146,567
	<u>148,070</u>	<u>–</u>	<u>–</u>	<u>27,928</u>	<u>175,998</u>

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2016

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	2,463	–	–	–	2,463
Financial liabilities included in other payables and accruals ..	5,227	–	–	–	5,227
Lease liabilities	–	374	1,043	–	1,417
	<u>7,690</u>	<u>374</u>	<u>1,043</u>	<u>–</u>	<u>9,107</u>

As at 31 December 2017

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	3,751	–	–	–	3,751
Financial liabilities included in other payables and accruals ..	12,045	–	–	–	12,045
Lease liabilities	–	818	893	–	1,711
	<u>15,796</u>	<u>818</u>	<u>893</u>	<u>–</u>	<u>17,507</u>

As at 31 December 2018

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	11,434	–	–	–	11,434
Financial liabilities included in other payables and accruals ..	17,861	–	–	–	17,861
Lease liabilities	–	1,355	986	–	2,341
	<u>29,295</u>	<u>1,355</u>	<u>986</u>	<u>–</u>	<u>31,636</u>

As at 30 September 2019

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	6,728	–	–	–	6,728
Financial liabilities included in other payables and accruals ..	36,082	–	–	–	36,082
Lease liabilities	–	1,585	1,687	1,542	4,814
	<u>42,810</u>	<u>1,585</u>	<u>1,687</u>	<u>1,542</u>	<u>47,624</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by total equity.

As at the end of each of the Track Record Period, there is no interest-bearing bank and other borrowings. As such, no gearing ratio as at the end of each of the Track Record Period was presented.

34. EVENTS AFTER THE TRACK RECORD PERIOD

In October 2019, Foison Amber Development, the Company's controlling shareholder after the Reorganisation, provided funds of approximately US\$12.7 million (equivalent to RMB89.8 million) to the Company to settle the current accounts arisen from the Reorganisation. The funds were capitalised by the allotment and issuance of 9,999 shares to Foison Amber Development.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as at 30 September 2019 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
	Note 1	Note 2		Note 3	Note 4
Based on the minimum Offer Price of HK\$1.50 per Offer share	106,709	111,781	218,490	0.55	0.64
Based on the maximum Offer Price of HK\$2.00 per Offer share	106,709	154,020	260,729	0.65	0.75

Notes:

- The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 was equal to the audited net assets attributable to owners of the Company as at 30 September 2019 of RMB106,709,000 set out in the Accountants' Report in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.50 and HK\$2.00, respectively, being the minimum Offer Price and maximum Offer Price in the Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred in notes 2 and on the basis of 400,000,000 Shares are in issue, assuming that the Capitalisation Issue and the Global Offering had been completed on 30 September 2019 but does not take into account any shares which may be sold pursuant to the exercise of the Over-allotment Option.
- For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.16.
- No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of Xingye Wulian Service Group Co. Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2019, and related notes as set out on page II-1 of the prospectus dated 25 February 2020 (the “**Prospectus**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group's financial position as at 30 September 2019 as if the transaction had taken place at 30 September 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the nine months ended 30 September 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
25 February 2020

(A) PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors have prepared the estimate consolidated profit of the Group for the year ended 31 December 2019 based on the audited consolidated results of the Group for the nine months ended 30 September 2019 and the unaudited consolidated results based on the management accounts of the Group for the remaining three months ended 31 December 2019. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

	Estimate for the year ended 31 December 2019
Estimated consolidated profit attributable to the owners of our Company	not less than RMB34.0 million

Note: The estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2019 has taken into account expected listing expenses incurred for the year ended 31 December 2019 of approximately RMB10.1 million.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for including in this Prospectus, received from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in relation to the Group's profit estimate for the year ended 31 December 2019.

25 February 2020

The Directors
Xingye Wulian Service Group Co. Ltd.
24th Floor
Wyndham Place
40-44 Wyndham Street
Central, Hong Kong

Zhongtai International Capital Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong

Dear Sirs,

Xingye Wulian Service Group Co. Ltd. ("the Company")

Profit Estimate for Year Ended 31 December 2019

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2019 ("**the Profit Estimate**") set forth in the section headed "Appendix III – Profit estimate for year ended 31 December 2019" in the prospectus of the Company dated 25 February 2020 (the "**Prospectus**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the nine months ended 30 September 2019, the unaudited consolidated results based on the management accounts of the Group for the remaining three months ended 31 December 2019.

The Company's directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 25 February 2020, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for the inclusion in this prospectus, received from Zhongtai International Capital Limited, the Sole Sponsor, in relation to the Group's profit estimate for the year ended 31 December 2019.



25 February 2020

The Directors
Xingye Wulian Service Group Co. Ltd.
24th Floor
Wyndham Place
40-44 Wyndham Street
Central, Hong Kong

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Xingye Wulian Service Group Co. Ltd. (the “**Company**”, together with its subsidiaries hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**Profit Estimate**”) set out in the section headed “Financial information – Profit estimate for the year ended 31 December 2019” in the prospectus of the Company dated 25 February 2020 (the “**Prospectus**”).

The Profit Estimate, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by the Directors, based on the audited consolidated results of the Group for the nine months ended 30 September 2019 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2019.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 25 February 2020 addressed to you and us from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Zhongtai International Capital Limited
Maurice Ying
*Co-head and Managing Director
of Investment Banking*

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 12 August 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 7 February 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed

contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the

register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a

right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 August 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) are made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated

competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a

dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 August 2019. Our Company has established a principal place of business in Hong Kong at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 10 September 2019. Ms. Zhang was appointed as the authorised representative of our Company on 27 August 2019 for the acceptance of service of process in Hong Kong whose correspondence address is 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

As our Company was established in the Cayman Islands, its operation is subject to the Companies Law and its constitutive documents comprising the Memorandum and Articles of Association. A summary of certain provisions of the Articles of Association and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2019. Upon incorporation, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 par value each.
- (b) On 7 February 2020, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects. On 7 February 2020, conditional upon (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and (ii) the Global Offering becoming unconditional, an aggregate sum of HK\$2,999,900 will be capitalised from the share premium account of our Company and applied in paying up in full of 299,990,000 Shares credited as fully paid at par to be allotted and issued to the then existing Shareholders whose names appeared on the register of members of our Company in proportion (as nearly as possible without involving fractions) to their respective shareholdings so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by the then existing Shareholders, will constitute not more than 75% of the enlarged issued share capital immediately following completion of the Global Offering (without taking into account any Share which may be issued and allotted pursuant to the exercise of the Over-allotment Option).
- (c) Conditional upon (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Share which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the Global Offering becoming unconditional, immediately following completion of the Capitalisation Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.

- (d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Further information about our Group – 3. Resolutions of our Shareholders passed on 7 February 2020” in this Appendix and pursuant to the exercise of the Over-allotment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (e) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Resolutions of our Shareholders passed on 7 February 2020

Pursuant to the written resolutions of our Shareholders passed on 7 February 2020, the following resolutions, among other things, were duly passed by our Shareholders:

- (a) the issuance of the Shares of nominal value of HK\$0.01 each and such Shares be listed on the Main Board;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects;
- (c) the approval and adoption of the Memorandum with immediate effect and of the Articles of Association conditionally with effect from the Listing Date; and
- (d) authorisation of our Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the Shares.
- (e) conditional on the Listing committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and the Capitalisation Issue, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue Shares as may be required to be allotted and issued upon the exercise of Over-allotment Option to rank pari passu with the then existing Shares in all respects; and
 - (iii) the Capitalisation Issue was approved and our Directors were authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 299,990,000 Shares for allotment and issue to our then existing shareholders whose name appears on the register of members of our Company at the close of business on the day immediately before the Listing Date, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation;

- (f) subject to the Global Offering becoming unconditional, a general mandate (the “**Issuing Mandate**”) was given to our Directors to allot, issue and deal with (i) our Shares; (ii) securities convertible into our Shares; and (iii) options, warrants or similar rights to subscribe for any Shares or convertible securities of our Company, and to make or grant offers, agreements and options which might require the exercise of such powers. The aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by our Directors pursuant to the Issuing Mandate, otherwise than pursuant to (i) a rights issue; (ii) scrip dividend scheme or similar arrangements in accordance with the Articles of Association; (iii) the exercise of rights of subscription or conversion under the terms of any warrants issued by our Company before the date of the passing of these resolutions or any securities which are issued before the date of the passing of these resolutions and convertible into Shares, shall not exceed 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option. The Issuing Mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) when such mandate is revoked, renewed or varied by an ordinary resolution of our Shareholders in general meeting.

Our Company may not issue securities convertible into our new Shares for cash consideration unless the initial conversion price is not lower than the benchmarked price (as hereinafter defined) of our Shares at the time of the placing, and our Company may not issue warrants, options or similar rights to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration;

“benchmark price” means the higher of (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the Issuing Mandate; and (b) the average closing price in the five trading days immediately prior to the earlier of: (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Issuing Mandate; (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the Issuing Mandate; and (iii) the date on which the placing or subscription price is fixed.

If any subsequent consolidation or subdivision of our Shares is effected, the maximum number of securities of our Company that may be issued pursuant to the Issuing Mandate as may be extended by sub-paragraph (i) below, as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, and such maximum number of Shares, and powers granted under such approval, shall be adjusted to such extent accordingly;

- (g) subject to the Global Offering becoming unconditional, a general mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) when such mandate is revoked, renewed or varied by an ordinary resolution of our Shareholders in general meeting; and

provided that if any subsequent consolidation or subdivision of our Shares is effected, the maximum number of Shares that may be repurchased pursuant to the Repurchase Mandate as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, and such maximum number of Shares, and powers granted under such approval shall be adjusted to such extent accordingly.

- (h) The Issuing Mandate mentioned in sub-paragraph (f) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in subparagraph (g) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

4. Our subsidiaries

The particulars of our principal subsidiaries are provided in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. For details of the changes in the equity interests of our subsidiaries, please refer to the section headed “History, development and Reorganisation – Reorganisation”.

Save as disclosed in this prospectus, there has been no alteration in the registered capital of any of our principal subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 7 February 2020, subject to the Global Offering becoming unconditional, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by applicable laws of the Cayman Islands or the Articles of Association to be held, or when the Repurchase Mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

(ii) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

(iii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company listed on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purposes in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such 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 our Company.

(e) Trading restrictions

Pursuant to the Listing Rules, our Company:

- (i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 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;
- (ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;
- (iii) shall not knowingly purchase its Shares from a core connected person and a core connected person shall not knowingly sell Shares to our Company, on the Stock Exchange;
- (iv) shall procure that any broker appointed by our Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of our Company as the Stock Exchange may request;

- (v) shall not purchase its Shares on the Stock Exchange at any time after an inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, our Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional; and
- (vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or the relevant prescribed minimum percentage for our Company as determined by the Listing Rules from time to time).

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

(f) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No repurchase of Shares has been made by us since our incorporation.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

REORGANISATION

Please refer to the section headed "History, development and Reorganisation – Reorganisation".

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:


- (a) an equity transfer agreement dated 5 September 2019 entered into between Zensun Development, Zhuoneng Management, Haifeng Management and Qian Zhiyi Management as transferors, and Xingye IOT (HK) as transferee, regarding the transfer of the entire equity interest in Xingye IOT Management from Zensun Development, Zhuoneng Management, Haifeng Management and Qian Zhiyi Management to Xingye IOT (HK) at a consideration of approximately RMB89.5 million;
- (b) the Deed of Non-Competition;
- (c) the Deed of Indemnity; and
- (d) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights


As at the Latest Practicable Date, we have registered or have been granted a licence for the use of the following intellectual property rights which are material in relation to our business.

A. Trademarks

As at the Latest Practicable Date, we are in the process of registering the following trademark in the PRC, which, in the opinion of our Directors, is material to our business:

Trademark	Place of application	Application number	Applicant	Class	Application date
	PRC	40757938	Xingye IOT Management	35, 36, 37, 44, 45	2 September 2019

On 18 February 2020, we entered into the Licence Agreement with Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司), pursuant to which Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司) has granted a non-exclusive right to our Group to use the following trademark at nil consideration for a term commencing from the Listing Date to 31 December 2022 which shall be automatically renewed for a further three years perpetually unless terminated or on expiry of the trademark granted to Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司):

Trademark	Registered owner	Place of registration	Class	Registration Number	Registration date	Expiry date
	Henan Zensun Real Estates Co., Ltd.* (河南正商置業有限公司)	PRC	36	4581382	14 October 2008	13 October 2028

B. Domain Names

As at the Latest Practicable Date, our Group has registered the following domain names in the PRC which are material to our business:

No.	Domain Name	Registered owner	Registration date	Expiry date
1. . .	xingyewulian.cn	Xingye IOT Management	15 July 2017	15 July 2020
2. . .	xingyewulian.com	Xingye IOT Management	15 July 2017	15 July 2020
3. . .	zhengez.cn	Xingye IOT Management	19 December 2016	19 December 2020
4. . .	zhengez.com	Xingye IOT Management	19 December 2016	19 December 2020
5. . .	lxzhn.com	Wuxiang Intelligent	22 June 2018	22 June 2021
6. . .	wxzniot.com	Wuxiang Intelligent	12 July 2019	12 July 2020

Information contained in the above websites does not form part of this prospectus.

C. Copyrights

As at the Latest Practicable Date, our Group has registered the following software copyrights in the PRC which are material to our business:

No.	Copyright	Registered owner	Version	Registration Number	Development Completion date
1. . .	Ai Ban Software* (愛辦軟件) (簡稱: 愛辦)	Xingye IOT Management	V1.2.5	2018SR597935	10 December 2017
2. . .	Intelligent access control system* (智能門禁系統)	Wuxiang Intelligent	V1.0	2019SR1177789	27 May 2018
3. . .	Smart park application system* (智慧園區應用系統)	Wuxiang Intelligent	V1.0	2019SR1176436	26 December 2018
4. . .	Intelligent monitoring system* (智能監控系統)	Wuxiang Intelligent	V1.0	2019SR1181250	28 April 2019
5. . .	Smart operation and maintenance system* (智慧運維系統)	Wuxiang Intelligent	V1.0	2019SR1176428	20 June 2019
6. . .	Smart property management system* (智慧物業管理系統)	Wuxiang Intelligent	V1.0	2019SR1184004	6 September 2019

Save as disclosed above, there are no other copyrights, patents, trademarks or other intellectual property rights which are material in relation to the business of our Company.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interest in Shares

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming the Over-allotment Option is not exercised, the beneficial interests or short positions of our Directors and the chief executives in any Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), will be required: (i) to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company, once the Shares are listed, are as follows:

Name	Long/Short position	Type of interest	Number of Shares (immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account the exercise of the Over-allotment Option)	Approximate percentage of shareholding in our Company (immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account the exercise of the Over-allotment Option) ^(note 1)
Ms. Zhang ^(note 2)	Long position	Interest in associated corporation	226,350,000	56.59%

Notes:

- The calculation is based on the total number of 400,000,000 Shares in issue after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised.
- 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries as at the Latest Practicable Date. Foison Amber Development is wholly-owned by Fast Achieve. Fast Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Foison Amber, Fast Achieve and Glory Reach are holding companies of our Company, each of them is an associated corporation of our Company under the SFO. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, only Ms. Zhang as protector of the Blossom Trust is considered to be interested in the Shares held by Foison Amber Development.

(b) *Particulars of service agreement and letters of appointment*

Our executive Director has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the provisions of the service agreement or by not less than one month's notice in writing served by either party on the other.

Each of our non-executive Directors and independent non-executive Directors has been appointed by our Company pursuant to a letter of appointment for a term of three years commencing from the Listing Date. The appointment is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

(c) *Directors remuneration*

The aggregate remuneration (including fees, salaries, allowances and other benefits, discretionary bonuses, contributions to pension schemes) paid to our Directors for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019 were approximately RMB0.2 million, RMB1.0 million, RMB0.3 million and RMB0.2 million, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the three years ended 31 December 2018 and the nine months ended 30 September 2019.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2018 and the nine months ended 30 September 2019 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration and benefits in kind (excluding any discretionary bonuses) payable to our Directors for the year ending 31 December 2020 to be approximately RMB0.5 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.

(d) *Fees or commission received*

Save as disclosed in the section headed "Underwriting – Total commission and expenses", none of our Directors or the experts named in the paragraph headed "Other information – 7. Qualifications of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

2. Substantial Shareholders

(a) Interest in Shares

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Long/Short position	Type of interest	Number of Shares (immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account the exercise of the Over-allotment Option)	Approximate percentage of shareholding in our Company (immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account the exercise of the Over-allotment Option) ^(note 1)
Vistra Trust (BVI) Limited ^(note 2)	Long position	Trustee of a trust	226,350,000	56.59%
Glory Reach (BVI) ^(note 2)	Long position	Interest in controlled corporation	226,350,000	56.59%
Fast Achieve (BVI) ^(note 2)	Long position	Interest in controlled corporation	226,350,000	56.59%
Foison Amber Development (BVI) ^(note 2)	Long position	Beneficial owner	226,350,000	56.59%
Ms. Zhang ^(note 2)	Long position	Interest in controlled corporation and protector/beneficiary of a trust	226,350,000	56.59%
Eco-Victory (BVI) ^(note 3)	Long position	Beneficial owner	73,650,000	18.41%

Notes:

- The calculation is based on the total number of 400,000,000 Shares in issue after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised.
- 226,350,000 Shares are directly held by Foison Amber Development, which is indirectly wholly-owned by Vistra Trust (BVI) Limited, the trustee of the Blossom Trust. The Blossom Trust is a discretionary trust established by Ms. Huang Yanping as the settlor, with Ms. Zhang being the protector and Ms. Zhang and her descendants being the discretionary beneficiaries as at the Latest Practicable Date. Foison Amber Development is wholly-owned by Fast Achieve. Fast

Achieve is a wholly-owned subsidiary of Glory Reach, which in turn is wholly-owned by Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust. Pursuant to the trust instrument governing the Blossom Trust, Ms. Zhang as the protector of the Blossom Trust has the control over the Blossom Trust. Accordingly, Ms. Zhang as protector of the Blossom Trust is deemed to be interested in the Shares held by Foison Amber Development.

3. Eco-Victory is owned by 91 individual shareholders, of which three individuals are directors of our Group, two individuals are senior management of our Group and two individuals are staff members of our Group immediately following completion of the Capitalization Issue and the Global Offering. The shareholding percentages of these individual shareholders in Eco-Victory range from approximately 0.74% to 2.96%.

3. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors and any of the parties listed in the paragraph headed “Other information – 7. Qualifications of experts” of this Appendix is:
 - (i) interested in the promotion of our Company, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
 - (ii) 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;
- (b) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Other information – 7. Qualifications of experts” of this Appendix:
 - (i) is interested legally or beneficially in any Shares in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or their respective close associates or any Shareholders of our Company (which to the knowledge of our Directors owns more than 5% of the number of our issued Shares) has any interest in the top five business customers or suppliers of our Group; and
- (d) none of our Directors or the chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will 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 they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules;

- (e) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or be interested, directly or indirectly, in 10% or more of the issued voting shares of any other member of our Group;
- (f) none of our Directors has or may have any interest in any business which, directly or indirectly, compete or might compete with our business; and
- (g) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group.

OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by our Company a fee of HK\$5,000,000 to act as the sponsor to our Company in connection with the Global Offering.

4. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2019 (being the date to which the latest consolidated audited financial statements of our Group were prepared and up to the date of this prospectus).

5. Compliance advisor

In accordance with the requirements of the Listing Rules, our Company has appointed Zhongtai International Capital as its compliance advisor to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

6. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$8,000 and are payable by our Company.

7. Qualifications of experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Zhongtai International Capital Limited	A corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Savills Valuation and Professional Services Limited	Industry consultant
Commerce & Finance Law Offices	PRC Legal Advisors
Conyers Dill & Pearman	Legal advisors as to Cayman Islands law
Harney Westwood & Riegels LP	Legal advisors as to the trust laws of the BVI

8. Consents of experts

Each of the experts named in the paragraph headed “Other information – 7. Qualifications of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons named in the paragraph headed “Other information – 7. Qualifications of experts” in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or securities in any member of our Group.

10. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate of Hong Kong stamp duty of such sale, purchase and transfer is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred. For further information in relation to taxation, please refer to the section headed “Summary of the constitution of the Company and Cayman Islands company law – (j) Taxation” set out in Appendix IV to this prospectus.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercise of any rights attaching to them.

11. Promoters

We do not have any promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoter.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

13. Related party transactions

During the Track Record Period, we were engaged in related party transactions as described under note 31 to the Accountants' Report set out in Appendix I to this prospectus.

14. Tax and other indemnities

Each of our Controlling Shareholders has, under the Deed of Indemnity referred to in "Further information about our business – 1. Summary of material contracts" in this Appendix, given joint and several indemnities in favour of our Company (for ourselves and as trustee for each of our subsidiaries) in respect of, among other things,

- (a) any taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**"), or any event, transaction, act or omission occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Effective Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

- (b) any Hong Kong estate duty which is or becomes payable by any member of our Group by the operation of the provisions of sections 34 to 45 (inclusive) of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) as a result of the death of any individual who has before death made a Relevant Transfer^(Note) to any member of our Group, including but not limited to any amount of estate duty:
- (i) which is or becomes payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance and under the provisions of section 43 of the Estate Duty Ordinance by reason of the death of an individual and by reason of any assets of any member of our Group being deemed for the purposes of estate duty to be included in the property passing on his death by reason of that individual having made a Relevant Transfer^(Note) to the relevant member of our Group at any time on or prior to the Effective Date;
 - (ii) recovered from our Company under section 43(7) of the Estate Duty Ordinance in respect of any estate duty paid under section 43(1)(c) or section 43(6) of the Estate Duty Ordinance by reason of the death of an individual and by reason of any assets of any member of our Group being deemed for the purposes of estate duty to be included in the property passing in his death by reason of that individual having made a Relevant Transfer^(Note) to a relevant member of our Group at any time on or prior to the Effective Date; or
 - (iii) which a member of our Group is obliged to pay under section 43(1)(c) of the Estate Duty Ordinance by reason of the death of an individual in any case where the assets of another company (the “**Distributing Company**”) are deemed for the purposes of the Estate Duty Ordinance to be included in the property passing on his death by reason of that individual having made a Relevant Transfer^(Note) to the Distributing Company and by reason of the member of our Group having received any distributed assets of the Distributing Company on their distribution as provided in the Estate Duty Ordinance, in each case at any time on or prior to the Effective Date, but only to the extent to which the member of our Group is unable to fully recover that amount of estate duty from any other accountable persons under Section 43(7)(a) of the Estate Duty Ordinance.
- (c) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer, accrue, directly or indirectly, from any act of such company arising from or in connection with any non-compliance of such company on or before the Effective Date, including not having paid all requisite tax or obtained all relevant or necessary approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliance incidents as disclosed in the section headed “Business – Legal proceedings and compliance” of this prospectus or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any of such company at any time on or before the Effective Date;
- (d) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to such company’s failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in the PRC in this regard; and

- (e) any loss, liability, damages, claims, fines, penalties, orders or expenses and costs suffered by any member of our Group as a result of or in connection with the title of any of the properties leased to our Group in Henan Province, the PRC (the “**Leased Properties**”) not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the Leased Properties as at the Effective Date).

Our Controlling Shareholders shall be under no liability in respect of, among others, any liability on taxation and taxation claims:

- (a) to the extent that provision has been made for such liabilities in the audited consolidated accounts of our Group or the audited accounts of any member of our Group for an accounting period ended on or before 30 September 2019; or
- (b) falling on any member of our Group in respect of any accounting period commencing on or after 30 September 2019 where such liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders (other than any such act, omission or transaction (i) carried out or effected in the ordinary course of business, on or before the Effective Date; or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus); or
- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Effective Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Effective Date with retrospective effect; or
- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provisions or reserve made for such liability in the audited accounts referred to in item (a) above which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders’ liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

Note: For the purpose of the Deed of Indemnity, “Relevant Transfer” means in relation to any person a transfer made by that person of any property, other than an interest limited to cease on his death or property which he transferred in a fiduciary capacity, being a transfer made on or before the Effective Date and means a transaction of the kind described in section 35 of the Estate Duty Ordinance interpreted in accordance with the provisions contained in section 3 of the Estate Duty Ordinance.

15. Miscellaneous

Save as disclosed in this prospectus:

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) no Share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no Share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares or loan capital of any member of our Group; and
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;
- (b) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares, deferred Shares or debenture;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange or trading system, nor is any listing or permission to deal on any stock exchange other than the Stock Exchange is currently being or proposed to be sought;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) our Company has adopted a code of conduct regarding Directors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
- (h) The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement; and
- (i) Our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws.

16. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English language version of this prospectus has been translated into the Chinese language, and the English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between English and Chinese versions of this prospectus, the English version shall prevail.

However, the translated English names of entities or enterprises established in the PRC included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. To the extent there is any inconsistency between the Chinese names of such entities or enterprises and their English translations, the Chinese names shall prevail.

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the written consents of the experts referred to in the section headed “Statutory and general information – Other information – 8. Consents of experts” set out in Appendix V to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and general information – Further information about our business – 1. Summary of material contracts” set out in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Howse Williams at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the Reporting Accountants, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young, the Reporting Accountants, in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the letters in respect of the profit estimate of our Group from Ernst & Young, the Reporting Accountants, and Zhongtai International Capital, the Sole Sponsor, the texts of which are set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three years ended 31 December 2018 and the nine months ended 30 September 2019;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the written legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisors, in relation to general matters of our Group in the PRC;
- (h) the written legal opinions in relation to the trust laws of the BVI issued by Harney Westwood & Riegels LP, our legal advisors as to the trust laws of the BVI;
- (i) the Savills Report on property management and property engineering services market in Henan Province and the PRC;
- (j) the material contracts referred to in the section headed “Statutory and general information – Further information about our business – 1. Summary of material contracts” set out in Appendix V to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (k) the service agreement and letters of appointment with each of our Directors referred to in the section headed “Statutory and general information – Further information about our Directors and Substantial Shareholders – 1. Directors” set out in Appendix V to this prospectus;
- (l) the written consents of the experts referred to in the section headed “Statutory and general information – Other information – 8. Consents of experts” in Appendix V to this prospectus; and
- (m) all the laws and regulations mentioned in Appendix IV to this prospectus.

XINGYE WULIAN SERVICE GROUP CO. LTD.
興業物聯服務集團有限公司