

Ye Xing Group Holdings Limited

燁星集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1941

GLOBAL OFFERING

Sole Sponsor



Alliance Capital Partners Limited
同人融資有限公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Ye Xing Group Holdings Limited

燁星集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price (subject to a Downward Offer Price Adjustment)	:	not more than HK\$1.58 per Offer Share and expected to be not less than HK\$1.32 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

(If the Offer Price is set at 5% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$1.25 per Offer Share)

Nominal value	:	HK\$0.01 per Share
Stock Code	:	1941

Sole Sponsor



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Joint Lead Managers



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 "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by an agreement to be entered into between Huatai Financial (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 6 March 2020, and in any case no later than Monday, 9 March 2020. The Offer Price will be not more than HK\$1.58 and is currently expected to be not less HK\$1.32 (subject to a Downward Offer Price Adjustment), unless otherwise announced. If Huatai Financial (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 9 March 2020, the Global Offering (including the Public Offer) will lapse and will not proceed. In such case, a notice will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hongkunjwuve.com.

Huatai Financial (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hongkunjwuve.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure of the Global Offering" and "How to apply for Public Offer Shares" in this prospectus.

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

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants to subscribe for, the Public Offer Shares, are subject to termination by Huatai Financial (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus for further details of such grounds for termination.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, 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 U.S. Securities Act and in accordance with any applicable state securities laws in the U.S. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulations S of the U.S. Securities Act.

EXPECTED TIMETABLE

The application for the Public Offer Shares will commence on Friday, 28 February 2020 through to Friday, 6 March 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 12 March 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 13 March 2020.

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hongkunjwuye.com if there is any change to the following expected timetable of the Public Offer.

(Note 1)

Public Offer commences and White and Yellow Application Forms available from	09:00 a.m. on Friday, 28 February 2020
Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk or 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 ^(Note 2)	11:30 a.m. on Friday, 6 March 2020
Application lists open ^(Note 3)	11:45 a.m. on Friday, 6 March 2020
Latest time to complete payment for the HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 6 March 2020
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 6 March 2020
Latest time to give electronic application instructions to HKSCC ^(Note 4)	12:00 noon on Friday, 6 March 2020
Application lists close ^(Note 3)	12:00 noon on Friday, 6 March 2020
Expected Price Determination Date ^(Note 5)	on or around Friday, 6 March 2020

EXPECTED TIMETABLE

Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (please refer to “Structure of the Global Offering – Price determination of the Global Offering” in this prospectus) on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com on or before Thursday, 12 March 2020

(i) Announcement of:
the final Offer Price;
the level of applications in the Public Offer;
the level of indications of interest in the Placing;
and the basis of allocation of the Public Offer Shares,
to be published on or before Thursday, 12 March 2020

(ii) Announcement of results of allocation of the Public Offer (with identification document numbers or business registration numbers of successful applicants, where appropriate) to be available through a variety of channels as set out in “How to apply for Public Offer Shares – 11. Publication of results” in this prospectus from Thursday, 12 March 2020

(iii) A full announcement of the Public Offer containing (i) and (ii) above will be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com from Thursday, 12 March 2020

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result and www.hkeipo.hk/iporesult or **IPO App** with a “search by ID/Business Registration Number” function from Thursday, 12 March 2020

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or about^(Note 6) Thursday, 12 March 2020

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications pursuant to the Public Offer on or about^(Notes 7 to 8) Thursday, 12 March 2020

Dealing in the Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on Friday, 13 March 2020

EXPECTED TIMETABLE

Notes:

- (1) All times and dates refer to Hong Kong local time, except otherwise stated. Please refer to “Structure of the Global Offering” in this prospectus for further details of the structure of the Global Offering, including conditions of the Global Offering.
- (2) You will not be permitted to submit your application 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 an application reference number from the designated website or **IPO App** 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 “black” rainstorm warning, a tropical cyclone warning signal number eight or above or “extreme conditions” caused by super typhoons in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 March 2020, the application lists will not open on that day. Please refer to “How to apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus for further details.
- (4) Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to “How to apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus for further details.
- (5) The Price Determination Date is expected to be on or around Friday, 6 March 2020. If, for any reason, the Offer Price is not agreed by Monday, 9 March 2020 between Huatai Financial (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse accordingly.
- (6) Share certificates for the Offer Shares are expected to be issued on or about Thursday, 12 March 2020, but will only become valid certificates of title at 8:00 a.m. on Friday, 13 March 2020, provided that: (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its own terms.
- (7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Branch Share Registrar at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 12 March 2020 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

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

EXPECTED TIMETABLE

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

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

The above expected timetable is a summary only. Please refer to “Structure of the Global Offering” and “How to apply for Public Offer Shares” in this prospectus for further details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. 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 us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other persons or parties 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 of the information which may be important to you and is qualified in its entirety, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitutes an integral part of this prospectus, before you decide to invest in the Offer Shares.

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

Various expressions used in this summary are defined in “Definitions” and “Glossary of technical terms” in this prospectus.

OVERVIEW

We are a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. According to the CIC Report, we ranked (i) 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018; and (ii) ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018. “Non-SOE-related entities” refer to entities that are not SOE and entities that are owned, whether directly or indirectly, by SOE by less than 30%, and “developer-affiliated property management companies” refer to property management companies that are affiliated to property developers. We were established in 2003 and commenced our operations in 2004. As at 31 August 2019, we provided property management services to properties spanning across eight cities in the Beijing-Tianjin-Hebei Region, Hainan province, Hubei province, and Shaanxi province, managing a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties.

Since the commencement of our business in 2004, we have been predominantly providing property management services to properties developed by Hongkun Group, which is part of Parent Group and a well-known property developer group in the PRC. As at 31 December 2016, 2017 and 2018 and 31 August 2019 and the Latest Practicable Date, the total revenue-bearing GFA attributable to properties developed by Hongkun Group and managed by our Group was approximately 2.9 million sq.m., 3.7 million sq.m., 4.5 million sq.m., 4.8 million sq.m. and 5.2 million sq.m., respectively, representing 100.0%, 100.0%, approximately 99.1%, 99.1% and 99.0% of our total revenue-bearing GFA, respectively. During the Track Record Period and up to the Latest Practicable Date, we were engaged by Hongkun Group to provide property management services to all the properties under the development of Hongkun Group in the PRC. Parent Group is comprised of a group of companies (including Hongkun Group) controlled by our Controlling Shareholders. Through our long-term and stable business relationship with Parent Group since 2004, we have accumulated extensive experience in providing property management and related services.

During the Track Record Period, we derived the majority of our revenue from properties developed by Hongkun Group, which amounted to approximately RMB116.5 million, RMB190.9 million, RMB246.5 million and RMB172.9 million, respectively, accounting for 100.0%, approximately 99.7%, 98.1% and 98.6% of our total revenue, respectively.

SUMMARY

During the Track Record Period, Parent Group was our largest customer, which contributed revenue of approximately RMB40.4 million, RMB74.7 million, RMB91.2 million and RMB59.3 million to our Group, respectively, representing approximately 34.7%, 39.0%, 36.3% and 33.8% of our total revenue, respectively.

According to the CIC Report, it is a common phenomenon in the real estate industry that property developers tend to engage their affiliated company which is a property management service provider to manage their properties. As such, it is not unusual in the property management industry for a property developer to become a major customer and contribute a significant portion of the revenue to its affiliated property management service provider.

The table below sets forth our (i) contracted GFA; (ii) revenue-bearing GFA; and (iii) number of properties under our management in relation to the properties for which we had commenced our provisions of property management services, as at the dates indicated:

	As at 31 December			As at 31 August 2019	As at the Latest Practicable Date
	2016	2017	2018		
Residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	4,382	5,449	5,805	5,805	6,705
Revenue-bearing GFA ('000 sq.m.)	2,565	3,273	3,948	4,068	4,413
Number of properties managed	13	20	21	21	24
Non-residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	699	913	1,031	1,304	1,316
Revenue-bearing GFA ('000 sq.m.)	308	473	629	785	796
Number of properties managed	6	10	15	15	17
Total					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	5,081	6,362	6,836	7,109	8,021
Revenue-bearing GFA ('000 sq.m.)	2,873	3,746	4,577	4,853	5,209
Number of properties managed	19	30	36	36	41

Note:

- (1) Contracted GFA refers to the total GFA managed and the total GFA to be managed by our Group under signed property management service agreements.

SUMMARY

The table below sets forth our (i) contracted GFA; and (ii) number of properties to be managed in relation to the properties for which we had not yet commenced our provisions of property management services, as at the dates indicated:

	As at 31 August 2019	As at the Latest Practicable Date
Residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,700	2,996
Number of properties to be managed	13	11
Non-residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	92	223
Number of properties to be managed	1	3
Total		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,792	3,219
Number of properties to be managed	14	14

Note:

- (1) Contracted GFA refers to the total GFA of the properties to be managed by our Group under signed property management service agreements.

Through upholding our service philosophy of “creating an enjoyable living environment (讓人們住的開心)” and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC. We strive to provide more than just property management services to property owners and residents. We offer a vast range of value-added services and organise a variety of activities in our managed properties. We take pride in creating a cosy and enjoyable living environment in the residential properties we manage and provide property owners and residents with a close-knit community with easy access to diversified services that meet their day-to-day needs.

SUMMARY

The following table sets forth the expiry schedule of our property management service agreements in relation to the properties for which we had commenced our provisions of property management services as at the Latest Practicable Date:

	Number of properties	Percentage of total number of properties %	Contracted GFA 000' sq.m.	Percentage of total contracted GFA %	Revenue- bearing GFA 000' sq.m.	Percentage of total revenue- bearing GFA %
Properties developed by Hongkun Group						
<i>With fixed term (Note)</i>						
One year or less	4	10.5	73	0.9	64	1.2
More than one year and up to two years	2	5.3	679	8.5	410	8.0
More than two years and up to three years	7	18.4	760	9.5	434	8.4
More than three years	1	2.6	276	3.5	159	3.1
<i>No fixed term</i>						
- No fixed term set out in the service agreement and the agreement will be effective until the formation of the property owners' committee	18	47.4	4,247	53.3	2,465	47.8
- The original fixed term has expired and the agreement contains provisions that automatically extend the term of service agreement until the formation of the property owners' committee	6	15.8	1,933	24.3	1,624	31.5
Total	38	100.0	7,968	100.0	5,156	100.0
Properties developed by third party property developers						
<i>With fixed term</i>						
One year or less	2	66.7	11	20.8	11	20.8
More than three years	1	33.3	42	79.2	42	79.2
Total	3	100.0	53	100.0	53	100.0

Note: Generally, for our property management service agreements with a fixed term, the term of these agreements will be automatically extended upon the formation of the property owners' committee in the relevant property.

Regardless of whether our preliminary property management service agreements contain a fixed term or a non-fixed term, if property management service agreements entered into by the property owners' committees (if established) come into force within the term of our preliminary property management service agreements, our preliminary property management service agreements will be terminated automatically in accordance with the Regulations on Property Management (物業管理條例). During the Track Record Period, a property owners' committee was formed in National Guest No. 1* (國賓一號) in Yichang city, Hubei province in May 2019. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years.

SUMMARY

The following table sets forth the expiry schedule of our property management service agreements in relation to the properties for which we had not yet commenced our provisions of property management services as at the Latest Practicable Date:

	Number of properties	Percentage of total number of properties %	Contracted GFA 000' sq.m.	Percentage of total contracted GFA %
Properties developed by Hongkun Group				
<i>With fixed term</i> ^(Note)				
More than 10 years	1	7.7	92	2.9
<i>No fixed term</i>				
– No fixed term set out in the service agreement and the agreement will be effective until the formation of the property owners' committee	<u>12</u>	<u>92.3</u>	<u>3,092</u>	<u>97.1</u>
Total	<u><u>13</u></u>	<u><u>100.0</u></u>	<u><u>3,184</u></u>	<u><u>100.0</u></u>
Property developed by third party developer				
<i>No fixed term</i>				
– Containing provisions that automatically extend the term of service agreement until the formation of the property owners' committee	<u><u>1</u></u>	<u><u>100.0</u></u>	<u><u>35</u></u>	<u><u>100.0</u></u>

Note: Generally, for our property management service agreements with a fixed term, the term of these agreements will be automatically extended upon the formation of the property owners' committee in the relevant property.

As at the Latest Practicable Date, Hongkun Group had not delivered the above properties for our property management and accordingly, the revenue-bearing GFA for such properties was not applicable.

Regardless of whether our preliminary property management service agreements contain a fixed term or a non-fixed term, if property management service agreements entered into by the property owners' committees (if established) come into force within the term of our preliminary property management service agreements, our preliminary property management service agreements will be terminated automatically in accordance with the Regulations on Property Management (物業管理條例).

OUR BUSINESS MODEL

We provide three types of services, namely:

Property management services – include (i) repair and maintenance; (ii) security; (iii) cleaning and gardening; (iv) management and leasing of car parking space; and (v) other property management related services for both residential and non-residential properties (which mainly include office buildings and shopping malls, shop spaces and other facilities such as stadium);

Property developer related services – include (i) sales assistance services; (ii) pre-delivery cleaning and preparation services; (iii) post-delivery repair services; and (iv) planning and design consultancy and inspection services. We primarily provide such services to property developers; and

SUMMARY

Value-added services – include (i) home living services; and (ii) leasing of common areas.

Our property management fees and property developer related services fees are generally determined by geographic locations, as well as other factors. For our value-added services, we charge a fee which varies depending on the type of services rendered.

During the Track Record Period and up to the Latest Practicable Date, all of our property management service agreements had been entered into with the relevant property developers, property owners or property owners’ committee of the properties under our management. Our property management service agreements with property developers remain in effect until the property owners’ committee is established and replaces us by entering into a separate property management service agreement with another service provider. As at the Latest Practicable Date, save for the property owners’ committee formed in National Guest No. 1* (國賓一號) in Yichang City, Hubei province in May 2019, none of the properties under our management had formed a property owners’ committee.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of property developers, tenants and residents of our managed properties. We have maintained business relationship with our largest customer, Parent Group, which was controlled by our Controlling Shareholders, since our business commenced in 2004, and with our second to fifth largest customers for the Track Record Period, for approximately two to five years. Revenue derived from our top five customers accounted for approximately 38.1%, 42.4%, 40.0% and 37.6% of our total revenue during the Track Record Period, respectively. Revenue derived from Parent Group accounted for approximately 34.7%, 39.0%, 36.3% and 33.8% of our total revenue during the Track Record Period, respectively, among which, a substantial part was contributed from our provisions of property developer related services. Since the commencement of our operations in 2004, we have been predominantly providing property management services to properties developed by Hongkun Group (part of Parent Group). According to the CIC Report, Hongkun Weiye (a member of Hongkun Group) is a leading property developer in the Beijing–Tianjin–Hebei Region and has been named one of the Top 100 Property Developers in the PRC* (中國房地產開發企業100強) for seven consecutive years since 2013. Please refer to “Business – Customers” in this prospectus for further details.

The table below sets forth the revenue contributed by Parent Group by type of services for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property management services	7,053	12,678	28,523	15,243	18,535
Property developer related services	32,858	60,676	60,609	38,226	40,686
Value-added services	<u>523</u>	<u>1,305</u>	<u>2,100</u>	<u>1,801</u>	<u>114</u>
Total	<u>40,434</u>	<u>74,659</u>	<u>91,232</u>	<u>55,270</u>	<u>59,335</u>

SUMMARY

Our suppliers primarily include (i) subcontractors; (ii) utilities service providers; and (iii) suppliers of materials needed for our business operations. During the Track Record Period, save for our largest supplier, the fourth largest supplier for 2017 and fifth largest supplier for 2018, all of which supplied us with electricity, the rest of our top five suppliers were subcontractors providing us with certain services, and our purchases from our top five suppliers amounted to approximately RMB34.7 million, RMB41.4 million, RMB52.5 million, and RMB43.3 million, respectively, representing approximately 56.0%, 48.4%, 46.7% and 51.3% of our total purchases, respectively. We had maintained business relationship with our top five suppliers for the Track Record Period for approximately one to seven years. Please refer to “Business – Suppliers” in this prospectus for further details.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths are crucial to our continued success and essential for our future prospects: (i) we are a reputable property management service provider in the PRC with a proven track record; (ii) our competitiveness is enhanced through our long-term and stable business relationship with Parent Group; (iii) we have established an effective internal management system that facilitates operational efficiency and procedure standardisation; and (iv) we have an experienced management team with extensive industry expertise. Please refer to “Business – Our competitive strengths” in this prospectus for further details.

OUR BUSINESS STRATEGIES

Our goal is to strengthen our competitiveness and market position, and to increase our market share in the property management industry in the PRC. We intend to achieve our goal by pursuing the following key strategies: (i) expand our geographic presence and scale of operations to broaden our revenue sources; (ii) further develop and enhance our information systems and technological initiatives to maximise our cost and operational efficiency and optimise our customer service; (iii) expand our value-added services to foster a sense of community among property owners and residents in our managed properties; (iv) enhance our service quality through training, promotion and other incentives; and (v) enhance our brand image and increase brand awareness through increased marketing and promotion efforts. Please refer to “Business – Our business strategies” in this prospectus for further details.

MATERIAL RISK FACTORS

There are risks associated with your investment in the Offer Shares, among which, the relatively material risks are (i) we may fail to secure new property management engagements as planned or on favourable terms or at all, which may have a material adverse effect on our business, growth prospects, results of operations and financial position; (ii) termination or non-renewal of our property management service agreements could have a material adverse effect on our business, results of operations and financial position; (iii) our plan to expand our geographic presence by means of acquisitions may not be successful; (iv) we generate a substantial portion of our revenue from the property management services we provide to properties developed by Hongkun Group; (v) we may not be able to successfully collect our property management fees, which may lead to additional impairment losses on or write off of our trade receivables; and (vi) we are susceptible to fluctuations in our labour and subcontracting costs. You should read the entire section of “Risk factors” in this prospectus carefully before you decide to invest in the Offer Shares.

SUMMARY

COMPETITIVE LANDSCAPE AND MARKET SHARE

The competitive landscape of the property management industry of Beijing is fairly fragmented, although SOE-related companies take up approximately 35% of the market, and non-SOE-related developer-affiliated companies take up another 50%. In 2018, the top 10 players in the non-SOE related developer-affiliated property management market in Beijing accounted for approximately 11.8% market share in terms of total GFA under management, where we ranked ninth with a market share of approximately 0.7%. In 2018, we ranked 23rd in the property management market in the Beijing-Tianjin-Hebei Region with a market share of approximately 0.2%. Please refer to “Industry overview – Competitive landscape of property management market in Beijing” in this prospectus for further details.

SHAREHOLDER INFORMATION

Our Controlling Shareholders

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 59.45% by Ascendor Futur, which is wholly-owned by Will Full. Will Full is owned as to 98.62%, 1.00% and 0.38% by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, respectively. Ms. Wu Hong is Mr. Zhao Bin’s spouse and Mr. Zhao Weihao is their son. By virtue of the shareholding of Ascendor Futur in our Company, Ascendor Futur, Will Full, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin together form a group of Controlling Shareholders within the meaning of the Listing Rules. Furthermore, in preparation for the Listing, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin executed the Deed of Acting in Concert, under which they confirmed that they have been parties acting in concert in controlling the members of our Group, and that they intend to continue to act in concert upon Listing as our Controlling Shareholders. Please refer to “Relationship with Controlling Shareholders and Parent Group” and “History, Reorganisation and corporate structure” in this prospectus for further details.

Pre-IPO Investment

On 31 May 2019 and 3 June 2019, we entered into subscription agreements with Winz Strategy, pursuant to which Winz Strategy agreed to subscribe for approximately 20.74% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue (approximately 15.55% of our Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme)), at an aggregate consideration of HK\$20.0 million.

SUMMARY

Winz Strategy, principally engaging in investment holding, is a company incorporated in the BVI with limited liability on 10 April 2017, which is wholly and beneficially owned by Ms. Li Yin Ping, our executive Director. Ms. Li Yin Ping has experiences in finance and capital investments and is serving as a director in private companies in Hong Kong and overseas. Vibes Management Company Limited, a company indirectly owned as to 50% by Ms. Li Yin Ping, was the pre-IPO investor of Hyfusin Group Holdings Limited (stock code: 8512) and remained as one of its substantial shareholders as at the Latest Practicable Date. Ms. Li Yin Ping was introduced to Mr. Zhao Weihao, our Controlling Shareholder and executive Director, through social acquaintance in April 2018 where they had the opportunity to share the business prospect and opportunity of our Group and their investment experiences in the PRC. Please refer to “History, Reorganisation and corporate structure – Pre-IPO Investment” in this prospectus for details.

Winz Strategy will hold approximately 15.55% of the issued share capital of our Company and become a substantial Shareholder (has the meaning ascribed to it under the Listing Rules) upon Listing (taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). Winz Strategy has agreed that, it will not, at any time during the period from the date of this prospectus to the date falling six months following the Listing, dispose of any of the Shares directly or indirectly held by it.

SUMMARY OF OPERATIONAL AND FINANCIAL INFORMATION

Selected information in our consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	116,502	191,558	251,177	158,086	175,356
Gross profit	38,054	67,830	81,726	54,885	65,947
Profit before tax	24,095	47,704	49,528	34,465	32,019
Profit and total comprehensive income for the year/period	17,553	35,575	37,221	26,289	20,631

SUMMARY

Revenue

Revenue by type of services

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services ⁽¹⁾	73,790	63.3	113,183	59.1	169,301	67.4	107,333	67.9	122,589	69.9
Property developer related services ⁽²⁾	32,858	28.2	61,337	32.0	62,487	24.9	39,259	24.8	41,235	23.5
Value-added services ⁽³⁾	9,854	8.5	17,038	8.9	19,389	7.7	11,494	7.3	11,532	6.6
Total	116,502	100.0	191,558	100.0	251,177	100.0	158,086	100.0	175,356	100.0

Notes:

- (1) During the Track Record Period, our revenue from Parent Group for our provisions of property management services amounted to approximately RMB7.1 million, RMB12.7 million, RMB28.5 million and RMB18.5 million, representing approximately 9.6%, 11.2%, 16.8% and 15.1% of our total revenue from property management services, respectively.
- (2) During the Track Record Period, our revenue from Parent Group for our provisions of property developer related services amounted to approximately RMB32.9 million, RMB60.7 million, RMB60.6 million and RMB40.7 million, representing 100.0%, approximately 98.9%, 97.0% and 98.7% of our total revenue from property developer related services, respectively.
- (3) During the Track Record Period, our revenue from Parent Group for our provisions of value-added services amounted to approximately RMB0.5 million, RMB1.3 million, RMB2.1 million and RMB0.1 million, representing 5.3%, 7.7%, 10.8% and 1.0% of our revenue from value-added services, respectively.

Our revenue increased from approximately RMB116.5 million in 2016 to approximately RMB191.6 million in 2017, which was primarily attributable to (i) the increase in our revenue derived from property management services from approximately RMB73.8 million in 2016 to approximately RMB113.2 million in 2017 mainly due to (a) the increase in our total revenue-bearing GFA from approximately 2.9 million sq.m. as at 31 December 2016 to approximately 3.7 million sq.m. as at 31 December 2017 mainly because of (1) our continuous efforts to expand our property management portfolio to include more residential properties mainly in Hebei province; and (2) the stage-by-stage delivery of properties in certain residential and non-residential property projects under our management mainly in Beijing and Hebei province; and (b) the increase in our average property management service fee from approximately RMB2.1 per sq.m. per month in 2016 to approximately RMB2.5 per sq.m. per month in 2017 mainly because of (1) the stage-by-stage delivery of Hongkun Plaza Shopping Centre* (鴻坤廣場購物中心) which had relatively higher property management fee rates; and (2) the increase in the proportion of revenue-bearing GFA and revenue generated from non-residential properties which had a higher average property management fee rates as compared to that of residential properties; (ii) the increase in our revenue derived from property developer related services from approximately RMB32.9 million in 2016 to approximately RMB61.3 million in 2017 mainly due to the increase in the number of property developer related projects from 23 projects in 2016 to 31 projects in 2017 mainly due to the rolling out of new Hongkun Group property projects in 2017; and (iii) the increase in our revenue derived from value-added services from approximately RMB9.9 million in 2016 to approximately RMB17.0 million in 2017 mainly due to (a) the increase in our revenue from home living services mainly because of the increase in revenue from our utility tariff collection services; and (b) the increase in our revenue from leasing of common areas mainly resulting from the increase in the number of our managed properties.

SUMMARY

Our revenue further increased to approximately RMB251.2 million in 2018, which was primarily attributable to (i) the increase in our revenue derived from property management services to approximately RMB169.3 million in 2018 mainly due to (a) the increase in our total revenue-bearing GFA to approximately 4.6 million sq.m. as at 31 December 2018 mainly because of (1) our continuous efforts to expand our property management portfolio to include more non-residential properties, mainly including Hongyuan Plaza* (鴻源廣場) in Tianjin; and (2) the stage-by-stage delivery of properties in certain residential and non-residential property projects under our management mainly in Beijing and Hebei province; and (b) the increase in our average property management service fee to approximately RMB3.1 per sq.m. per month in 2018 mainly because of (1) the stage-by-stage delivery of newer residential properties and the new non-residential property project, namely Hongyuan Plaza* (鴻源廣場) which had relatively higher property management fee rates; and (2) the increase in the proportion of revenue-bearing GFA and revenue generated from non-residential properties which had a higher average property management fee rates as compared to that of residential properties; and (ii) the increase in our revenue derived from value-added services to approximately RMB19.4 million in 2018 mainly due to (a) the increase in our revenue from home living services to approximately RMB10.4 million in 2018 mainly resulting from the increase in the number of our managed properties which provided a larger customer base; and (b) the recognition of our revenue from equipment repair and installation services of approximately RMB2.8 million in 2018 after the commencement of business of Hebei Norden (which was sold to its non-controlling shareholder in December 2018) in 2018.

Our revenue increased from approximately RMB158.1 million for the eight months ended 31 August 2018 to approximately RMB175.4 million for the eight months ended 31 August 2019, which was primarily attributable to the increase in our revenue derived from property management services from approximately RMB107.3 million for the eight months ended 31 August 2018 to approximately RMB122.6 million for the eight months ended 31 August 2019 mainly due to the increase in our total revenue-bearing GFA from approximately 4.2 million sq.m. as at 31 August 2018 to approximately 4.9 million sq.m. as at 31 August 2019 mainly because of (i) our continuous efforts to expand our property management portfolio to include more non-residential properties mainly in Beijing; and (ii) the stage-by-stage delivery of properties in certain residential and non-residential property projects under our management.

Please refer to “Business – Property management services – Portfolio of properties under management” in this prospectus for further details of the movement of our revenue-bearing GFA and “Financial information – Discussion of results of operations” in this prospectus for the further details of the reasons for the increase in our revenue and revenue-bearing GFA.

SUMMARY

Property management services

(i) By revenue model

	As at/Year ended 31 December				As at/Eight months ended 31 August															
	2016		2017		2018		2019													
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %												
Lump sum basis	2,147	74.7	63,423	86.0	2,947	78.7	101,955	90.1	3,778	82.5	158,914	93.9	3,378	80.9	100,849	94.0	4,054	83.5	115,353	94.1
Commission basis	726	25.3	10,367	14.0	799	21.3	11,228	9.9	799	17.5	10,387	6.1	799	19.1	6,484	6.0	799	16.5	7,236	5.9
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

We take into account a number of factors in determining whether to charge our property management fees on a lump-sum or a commission basis, including local regulations, personalised requirements specified by property developers, local market conditions and the nature and characteristics of individual properties, on a case-by-case basis. We assess prospective customers by evaluating key factors such as estimated costs involved with property management, historical fee collection rates, projected profitability as well as whether the fee for provision of property management services was previously charged on a lump-sum basis or on a commission basis.

During the Track Record Period, we charged property management fees primarily on a lump sum basis, whereas only a limited amount of revenue from property management services was charged on a commission basis.

(ii) By type of property developers

	As at/Year ended 31 December				As at/Eight months ended 31 August															
	2016		2017		2018		2019													
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %												
Hongkum Group	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,535	99.1	166,514	98.4	4,135	99.0	105,433	98.2	4,811	99.1	120,702	98.5
Third party property developers	—	—	—	—	—	—	—	—	42	0.9	2,787	1.6	42	1.0	1,900	1.8	42	0.9	1,887	1.5
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

During the Track Record Period, we derived most of our revenue from property management services from properties developed by Hongkum Group, representing 100.0%, 100.0%, approximately 98.4% and 98.5% of our total revenue from property management services, respectively.

SUMMARY

(iii) By type of properties

	As at/Year ended 31 December				As at/Eight months ended 31 August							
	2016		2017		2018		2019					
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000				
Residential properties	2,565	89.3	3,273	87.4	3,948	86.0	3,591	86.0	4,068	83.8	73,780	60.2
Non-residential properties	308	10.7	473	12.6	629	13.7	586	14.0	42,488	39.6	48,809	39.8
Total	2,873	100.0	3,746	100.0	4,577	100.0	4,177	100.0	107,333	100.0	122,589	100.0

During the Track Record Period, a majority of our revenue derived from property management services was generated from the property management services provided to the residential properties, which accounted for approximately 68.9%, 64.1%, 60.4% and 60.2% of our total revenue from property management services, respectively.

(iv) By geographic coverage

	As at/Year ended 31 December				As at/Eight months ended 31 August							
	2016		2017		2018		2019					
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000				
Beijing	1,561	54.4	1,761	47.0	1,874	41.0	1,826	43.7	61,503	57.3	70,251	57.3
Tianjin	127	4.4	288	7.7	407	8.9	336	8.1	13,103	12.2	15,086	12.3
Hebei province	891	31.0	1,236	33.0	1,544	33.7	1,350	32.3	22,975	21.4	25,511	20.8
Beijing-Tianjin-Hebei Region	2,579	89.8	3,285	87.7	3,825	83.6	3,512	84.1	97,581	90.9	110,848	90.4
Hainan province	294	10.2	2,896	3.9	454	9.9	367	8.8	3,609	3.4	4,544	4.8
Hubei province	-	-	94	2.5	256	5.6	256	6.1	4,243	3.9	3,989	3.3
Shaanxi province	-	-	-	-	42	0.9	42	1.0	1,900	1.8	1,887	1.5
Total	2,873	100.0	3,746	100.0	4,577	100.0	4,177	100.0	107,333	100.0	122,589	100.0

During the Track Record Period, most of our revenue derived from property management services was generated in Beijing-Tianjin-Hebei Region, which accounted for approximately 96.1%, 93.7%, 90.9% and 90.4% of our total revenue from property management services, respectively.

SUMMARY

	As at/Year ended 31 December				As at/Eight months ended 31 August															
	2016		2017		2018		2019													
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %												
Property management service agreements:																				
– With a fixed term	266	9.3	14,737	20.0	431	11.5	32,818	29.0	613	13.4	65,750	38.8	585	14.0	41,825	39.0	771	15.9	45,294	36.9
– Without a fixed term	2,607	90.7	59,053	80.0	3,315	88.5	80,365	71.0	3,964	86.6	103,551	61.2	3,592	86.0	65,508	61.0	4,082	84.1	77,295	63.1
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

SUMMARY

Property developer related services

	2016			Year ended 31 December						Eight months ended 31 August					
	Number of projects	Revenue		Number of projects	Revenue		Number of projects	Revenue		Number of projects	Revenue		Number of projects	Revenue	
		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%
Beijing	6	9,672	29.4	9	20,715	33.8	7	18,526	29.6	4	10,051	25.6	4	14,194	34.4
Tianjin	5	7,534	22.9	8	13,706	22.3	7	16,184	25.9	7	10,306	26.3	6	8,929	21.7
Hebei province	10	12,282	37.4	9	18,456	30.1	7	13,304	21.3	7	10,243	26.0	7	11,158	27.0
Hainan province	2	3,370	10.3	2	5,009	8.2	2	4,584	7.3	2	2,529	6.4	2	663	1.6
Hubei province	-	-	-	1	1,076	1.8	2	4,700	7.5	2	2,757	7.0	1	2,318	5.6
Jiangsu province	-	-	-	1	1,024	1.7	1	2,209	3.5	1	1,478	3.8	1	2,051	5.0
Anhui province	-	-	-	1	1,351	2.1	1	2,980	4.9	1	1,895	4.9	1	1,922	4.7
Total	23	32,858	100.0	31	61,337	100.0	27	62,487	100.0	24	39,259	100.0	22	41,235	100.0

Value-added services

	2016			Year ended 31 December						Eight months ended 31 August					
	Revenue		%	Revenue		Revenue		Revenue		Revenue		Revenue			
	RMB'000	%		RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Home living services	6,337	64.3	9,290	54.5	10,386	53.6	5,478	47.7	6,676	57.9					
Leasing of common areas	2,857	29.0	5,188	30.4	5,180	26.7	3,041	26.5	4,645	40.3					
Equipment repairs and installation services	-	-	-	-	2,798	14.4	2,798	24.3	-	-					
Housekeeping services	-	-	1,178	6.9	99	0.5	99	0.9	-	-					
Others	660	6.7	1,382	8.2	926	4.8	78	0.6	211	1.8					
Total	9,854	100.0	17,038	100.0	19,389	100.0	11,494	100.0	11,532	100.0					

Revenue from Parent Group and third party customers

	2016			Year ended 31 December						Eight months ended 31 August					
	Revenue		%	Revenue		Revenue		Revenue		Revenue		Revenue			
	RMB'000	%		RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Parent Group	40,434	34.7	74,659	39.0	91,232	36.3	55,270	35.0	59,335	33.8					
Third party customers	76,068	65.3	116,899	61.0	159,945	63.7	102,816	65.0	116,021	66.2					
Total	116,502	100.0	191,558	100.0	251,177	100.0	158,086	100.0	175,356	100.0					

Cost of services

	2016			Year ended 31 December						Eight months ended 31 August					
	Revenue		%	Revenue		Revenue		Revenue		Revenue		Revenue			
	RMB'000	%		RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Labour costs	32,652	41.6	57,166	46.2	78,996	46.6	51,302	49.7	44,664	40.8					
Subcontracting costs	22,515	28.7	36,474	29.5	51,995	30.7	34,463	33.4	45,441	41.5					
Utility costs	7,235	9.2	10,406	8.4	15,002	8.9	8,509	8.2	10,250	9.4					
Office expenses	5,096	6.5	7,208	5.8	8,396	5.0	1,885	1.8	2,120	1.9					
Repair and maintenance costs	2,592	3.3	7,394	6.0	9,935	5.9	4,179	4.0	3,902	3.6					
Other costs	8,358	10.7	5,080	4.1	5,127	2.9	2,863	2.9	3,032	2.8					
Total	78,448	100.0	123,728	100.0	169,451	100.0	103,201	100.0	109,409	100.0					

SUMMARY

Gross profit and gross profit margin

	Year ended 31 December						Eight months ended 31 August			
	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 margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	
	<i>(unaudited)</i>									
Property management services										
– Hongkun Group	28,964	39.3	48,887	43.2	61,425	36.9	42,116	39.9	52,667	43.6
– Third party property developers	–	N/A	–	N/A	125	4.5	115	6.1	110	5.8
	28,964	39.3	48,887	43.2	61,550	36.4	42,231	39.3	52,777	43.1
Property developer related services										
– Hongkun Group	4,427	13.5	8,457	13.9	8,096	13.4	5,355	14.0	5,836	14.3
– Third party property developers	–	N/A	100	15.1	274	14.6	174	16.8	126	22.9
	4,427	13.5	8,557	14.0	8,370	13.4	5,529	14.1	5,962	14.5
Value-added services										
– Hongkun Group	4,663	47.3	10,386	61.0	11,806	60.9	7,125	62.0	7,208	62.5
Total/Overall	<u>38,054</u>	32.7	<u>67,830</u>	35.4	<u>81,726</u>	32.5	<u>54,885</u>	34.7	<u>65,947</u>	37.6

Our gross profit increased (i) from approximately RMB38.1 million in 2016 to approximately RMB67.8 million in 2017 and further to approximately RMB81.7 million in 2018; and (ii) from approximately RMB54.9 million for the eight months ended 31 August 2018 to approximately RMB65.9 million for the eight months ended 31 August 2019, which was primarily in line with the increase in our revenue during the Track Record Period.

Our overall gross profit margin increased from approximately 32.7% in 2016 to approximately 35.4% in 2017 primarily attributable to (i) the increase in our gross profit margin for property management services from approximately 39.3% in 2016 to approximately 43.2% in 2017 mainly due to (a) economies of scale from our increased business scale mainly resulting from the stage-by-stage delivery of residential and non-residential property management projects; (b) the increase in our average property management fee from approximately RMB2.1 per sq.m. per month in 2016 to approximately RMB2.5 per sq.m. per month in 2017; and (c) the decrease in our business tax and other levies following the gradual implementation of the PRC business tax reform measures which became effective in May 2016; and (ii) the increase in our gross profit margin for value-added services from approximately 47.3% in 2016 to approximately 61.0% in 2017 mainly due to the increase in the number of our property management projects and customer base in 2017 while maintaining relatively fixed maintenance and operation costs for certain of our value-added services, including our leasing of common areas and utility tariff collection services due to the nature of these services.

SUMMARY

Our overall gross profit margin decreased to approximately 32.5% in 2018 primarily attributable to the decrease in our gross profit margin for property management services to approximately 36.4% in 2018 mainly due to the increase in our average cost of property management services from approximately RMB1.4 per sq.m. per month in 2017 to approximately RMB2.0 per sq.m. per month in 2018, which was primarily attributable to the further upgrade and enhancement of our brand image and services quality from the second half of 2018 by means of increasing in our manpower in our managed properties to optimise our customers' experience and promote the living quality of property owners and residents at our managed properties.

Our overall gross profit margin increased from approximately 34.7% for the eight months ended 31 August 2018 to approximately 37.6% for the eight months ended 31 August 2019 primarily attributable to the increase in our gross profit margin for property management services from approximately 39.3% for the eight months ended 31 August 2018 to approximately 43.1% for the eight months ended 31 August 2019 mainly due to the decrease in our average cost of property management services from approximately RMB1.9 per sq.m. per month for the eight months ended 31 August 2018 to approximately RMB1.8 per sq.m. per month for the eight months ended 31 August 2019 mainly as a result of (i) economies of scale from our increased business scale mainly resulting from the stage-by-stage delivery of residential and non-residential property management projects; and (ii) increased level of outsourcing of our cleaning, gardening, equipment maintenance and site security services to our subcontractors for our property management services for the eight months ended 31 August 2019 (which in turn lowering our labour costs and hence reducing our unit cost of property management services).

During the Track Record Period, our gross profit margin for property management services provided to properties developed by third party property developers was lower than that for properties developed by Hongkun Group, which was primarily because (i) we generally incurred lower cost of property management services per sq.m. per month associated with our management of properties developed by Hongkun Group as a result of a longer business relationship and a larger overall scale of properties under management to achieve the economies of scale; and (ii) we incurred higher cost of property management services per sq.m. per month associated with our first property management service project for properties developed by third party property developers, namely Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) (a) in order to expand our portfolio of property management services, to solidify the cooperation and to improve our customer experience and brand image; and (b) mainly because it is a relatively small property management service project with revenue-bearing GFA of approximately 42,000 sq.m. only.

Please refer to “Financial information – Discussion of results of operations” in this prospectus for the further details of the reasons for the increase in our gross profit and the fluctuations in our gross profit margin.

SUMMARY

Selected information in our consolidated statements of financial position

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	7,566	7,077	7,751	11,027
Current assets	171,380	206,959	252,561	223,743
Current liabilities	133,179	160,354	170,960	162,736
Net current assets	38,201	46,605	81,601	61,007
Non-current liabilities	3,436	2,653	1,750	1,220
Net assets	42,331	51,029	87,602	70,814

Our net assets increased from approximately RMB42.3 million as at 31 December 2016 to approximately RMB51.0 million as at 31 December 2017 primarily attributable to (i) our net profit of approximately RMB35.6 million generated in 2017; and (ii) issuance of new shares of Beijing Hongkun of RMB25.0 million in 2017, partially offset by the declaration of dividends of RMB46.0 million by Beijing Hongkun, Xianghe Hongkun and Beijing Hongkun Property Management in 2017. Our net assets further increased to approximately RMB87.6 million as at 31 December 2018 primarily attributable to our net profit of approximately RMB37.2 million generated in 2018. Our net assets decreased to approximately RMB70.8 million as at 31 August 2019 primarily attributable to (i) the declaration of dividend of RMB35.5 million by Beijing Hongkun for the eight months ended 31 August 2019; and (ii) the consideration for the acquisition of Beijing Cloud Era, Beijing Hongkun Valley and Hongkun (Beijing) Business Management of RMB19.5 million during our Reorganisation, partially offset by (i) our net profit of RMB20.6 million generated for the eight months ended 31 August 2019; and (ii) the subscription of 1,645 Shares by Winz Strategy at a consideration of approximately HK\$17.0 million (equivalent to approximately RMB15.0 million).

Selected information in our consolidated statements of cash flows

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	23,181	46,930	49,704	34,262	32,721
Changes in working capital	26,070	12,256	(40,251)	(69,432)	21,804
Income tax paid	(2,527)	(17,357)	(10,353)	(8,177)	(10,255)
Net cash from (used in) operating activities	46,724	41,829	(900)	(43,347)	44,270
Net cash (used in) from investing activities	(8,150)	24,623	(15,141)	(33,802)	(74,630)
Net cash from (used in) financing activities	7,441	(33,302)	1,093	(1,806)	(41,034)
Net increase (decrease) in cash and cash equivalents	46,015	33,150	(14,948)	(78,955)	(71,394)
Cash and cash equivalents at beginning of the year/period	28,533	74,548	107,698	107,698	92,750
Effect of foreign exchange rate changes	—	—	—	—	31
Cash and cash equivalents at end of the year/period	74,548	107,698	92,750	28,743	21,387

SUMMARY

In 2018, we recorded net operating cash outflow of approximately RMB0.9 million, which was primarily attributable to the prolonged settlement of trade receivables by Parent Group mainly in respect of our property developer related services leading to the strong increase in our trade nature amounts due from fellow subsidiaries from approximately RMB13.8 million as at 31 December 2017 to approximately RMB77.7 million as at 31 December 2018.

For the eight months ended 31 August 2018, we recorded net operating cash outflow of approximately RMB43.3 million, which was primarily attributable to (i) the increased use of our cash and cash equivalents for our investments in wealth management products leading to the increase in financial assets at fair value through profit or loss of approximately RMB24.5 million; and (ii) the prolonged settlement of trade receivables by Parent Group mainly in respect of our property developer related services leading to the strong increase in our trade nature amounts due from fellow subsidiaries of approximately RMB41.9 million.

Key financial ratios

	2016	Year ended/ As at 31 December 2017	2018	Eight months ended/As at 31 August 2019
Net profit margin before interest and tax	21.0%	25.1%	19.8%	18.3%
Net profit margin	15.1%	18.6%	14.8%	11.8%
Current ratio	1.3	1.3	1.5	1.4
Gearing ratio <i>(Note)</i>	0.6	0.4	0.2	0.04
Return on assets	9.8%	16.6%	14.3%	N/A
Return on equity	41.5%	69.7%	42.5%	N/A

Note: Our gearing ratio is calculated by our total debts (i.e. our lease liabilities and non-trade nature amounts due to related parties) divided by our total equity.

SUMMARY

NON-HKFRS MEASURES

The following table sets forth a reconciliation between our net profit as presented in accordance with HKFRSs, and (i) our non-HKFRS adjusted profit; and (ii) our non-HKFRS adjusted profit before interest and tax (which was used for the calculation of our adjusted net profit margin before interest and tax, and adjusted net profit margin):

	Year ended 31 December			Eight months ended 31 August	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(unaudited)</i>	2019 <i>RMB'000</i>
Profit for the year/period	17,553	35,575	37,221	26,289	20,631
Adjusted for:					
Listing expenses	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u>13,347</u>
Non-HKFRS adjusted profit for the year/period	17,553	35,575	37,221	26,289	33,978
Add: Interests on lease liabilities	333	315	245	163	115
Add: Income tax expense	<u>6,542</u>	<u>12,129</u>	<u>12,307</u>	<u>8,176</u>	<u>11,388</u>
Non-HKFRS adjusted profit before interest and tax for the year/ period	<u><u>24,428</u></u>	<u><u>48,019</u></u>	<u><u>49,773</u></u>	<u><u>34,628</u></u>	<u><u>45,481</u></u>
Adjusted net profit margin before interest and tax	21.0%	25.1%	19.8%	21.9%	25.9%
Adjusted net profit margin	15.1%	18.6%	14.8%	16.6%	19.4%

We had excluded our listing expenses during the Track Record Period in the calculation of (i) our adjusted profit and total comprehensive income for the year/period; (ii) our adjusted net profit margin before interest and tax; and (iii) our adjusted net profit margin. As non-HKFRS measures, these adjusted financial information are presented because we believe that such information will be helpful for investors in assessing the effect of listing expenses on our net profit. The use of these adjusted financial information as an analytical tool has material limitations as they do not include all items that have impact on our profit during the Track Record Period. We believe that the presentation of non-HKFRS measures in conjunction with the corresponding HKFRS measures, by excluding our one-off listing expenses which are considered by our Directors to be irrelevant to our operating performance, serves to provide useful information to investors regarding our financial and business trends and results of operations. We also believe that such non-HKFRS measures are appropriate for evaluating our Group's operating performance.

SUMMARY

LISTING EXPENSES

Our total estimated listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB41.8 million, representing approximately 31.7% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range of HK\$1.45 per Offer Share). Among the estimated aggregate amount of our estimated listing expenses, approximately RMB25.1 million of which is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RMB16.7 million is expected to be charged to our profit or loss, of which approximately RMB13.3 million was recognised in our profit or loss for the eight months ended 31 August 2019. Our Directors would like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

GLOBAL OFFERING STATISTICS

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

	Based on the Offer Price of HK\$1.25 per Offer Share, after Downward Offer Price Adjustment of 5%	Based on the Offer Price of HK\$1.32 per Offer Share	Based on the Offer Price of HK\$1.58 per Offer Share
Market capitalisation ⁽¹⁾	HK\$500 million	HK\$528 million	HK\$632 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	RMB0.38 (equivalent to HK\$0.42)	RMB0.39 (equivalent to HK\$0.43)	RMB0.45 (equivalent to HK\$0.49)

Notes:

- (1) The calculation of our market capitalisation is based on 400,000,000 Shares which will be in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).
- (2) Our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company as at 31 August 2019 per Share is calculated based on 400,000,000 Shares assuming in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

SUMMARY

USE OF PROCEEDS

We estimate we will receive HK\$99.0 million net proceeds from the Global Offering after deducting underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering, assuming an Offer Price of HK\$1.45 per Offer Share, being the mid-point of the indicative Offer Price range. We intend to use the net proceeds we receive from the Global Offering for the following purposes:

Amount of net proceeds and approximate percentage		Intended usage
<i>HK\$ million</i>	<i>%</i>	
64.4	65.0	Geographic expansion of our property management services in the PRC
12.9	13.0	Development and enhancement of our information system and technological initiatives, in order to maximise our cost and operational efficiency and service quality
9.9	10.0	Expansion of our value-added services
2.0	2.0	Staff development
9.8	10.0	General working capital

Please refer to “Future plans and use of proceeds” in this prospectus for further details.

DIVIDENDS AND DISTRIBUTABLE RESERVE

We declared and paid dividends of nil, RMB46.0 million, nil and RMB35.5 million to the then shareholders for the Track Record Period, respectively. No dividend has been proposed and declared by our Group after the Track Record Period and up to the Latest Practicable Date. Our Company currently does not have any predetermined dividend payout ratio. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. The amount of our dividends, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors’ discretion. Dividends may be paid only out of our distributable reserve as permitted under the relevant laws.

As at 31 August 2019, our Company had distributable reserve of approximately RMB32.8 million available for distribution.

SUMMARY

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we had entered into property management service agreements with Hongkun Group for an additional 11 residential properties and two non-residential property with a total contracted GFA of approximately 3.2 million sq.m., to which we had not commenced provisions of our property management services. The material terms of such new property management service agreements are comparable to those entered into with Hongkun Group during the Track Record Period. It is anticipated that we will commence our provisions of property management services for these properties starting in early 2020. These properties, once we begin provisions of our property management services, would expand our property management services to Shanghai and Guangdong province.

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first emerged in Wuhan city, Hubei province, China in late 2019 and which continues to expand within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. On 23 January 2020, the PRC government announced the lock-down of Wuhan city in an attempt to quarantine the city. Since then, draconian measures including travel restrictions have been imposed in other major cities in the PRC, as well as other countries and territories, in an effort to contain the COVID-19 outbreak. The World Health Organization (“WHO”) is closely monitoring and evaluating the situation. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). As at the Latest Practicable Date, the virus had spread across China and to over 30 countries and territories globally with most deaths in Hubei province, and death toll and number of infected cases continued to rise.

The outbreak, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC, particularly Wuhan city and Hubei province. The property market in the PRC, particularly Wuhan city and Hubei province, may be adversely impacted. The outlook of the property market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the property management market and our business operation and financial condition may be adversely affected. However, according to the CIC Report, the outbreak of COVID-19 is expected to bring limited impacts to China’s property management industry in the long run due to the fact that (i) the size of the existing PRC property management market will unlikely be affected, as the current GFA under management and the property management fee rates will not affected by the COVID-19 outbreak; and (ii) the property construction and sales activities will be delayed due to the extension of the Lunar New Year holiday in January 2020, however according to the notices announced by the State Council and the local PRC governments, the Lunar New Year holiday was only extended to 10 February 2020 and the property construction and sales activities have been gradually resumed thereafter.

As at the Latest Practicable Date, we managed one residential property, National Guest No. 1* (國賓一號) in Yichang city, Hubei province with a revenue-bearing GFA of approximately 0.3 million sq.m., representing approximately 6.5% of our total revenue-bearing GFA. We also provided value-added services to residents of National Guest No. 1* (國賓一號), as well as property developer related services for another project in Yichang city, Hubei province as at the Latest Practicable Date. Our exposure in Hubei province in terms of total revenue contribution was nil, approximately 1.5%, 4.5% and 3.7% during the Track Record Period, respectively.

SUMMARY

To the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of residents, tenants or our staff in National Guest No. 1* (國賓一號) or other properties we managed in the PRC. Please refer to "Business – Effects of the COVID-19 outbreak – Effects of the COVID-19 outbreak on our business operations" in this prospectus for details. We are of the view that the COVID-19 outbreak will not have a significant impact on our property management services as the outbreak will not bring a material impact on the current revenue-bearing GFA of properties under our management and the property management fees charged by us, and the delivery schedules of properties for our property management in the near future will unlikely be significantly affected. Likewise, for our property developer related services, our fees for such services are fixed under contract, and therefore our revenue generated from property developer related services will unlikely be affected. Nevertheless, in the event that we are forced to suspend all or a significant part of our property developer related services, such as the termination of our sales assistance services where mock-up units showrooms are closed as a result of the COVID-19 outbreak, we estimate that our net profit may decrease by a maximum amount of approximately RMB4.3 million for the year ending 31 December 2020, which our Directors believe will not have a significant impact on our financial condition. As for our value-added services, we anticipate that there will be no significant fluctuations in our revenue generated from value-added services as we generate the majority of our value-added services revenue from providing home living services (mainly including utilities charges collection services and provision of air-conditioning and heating), which are services essential to property owners, residents or tenants at our managed properties.

As at the Latest Practicable Date, it is expected that an aggregate revenue-bearing GFA of approximately 0.6 million sq.m. and 5.4 million sq.m will be delivered by Hongkun Group for our management under the relevant contracts in 2020, and 2021 and thereafter, respectively. To the best knowledge of our Directors after consulting Hongkun Group, we do not anticipate there be any material delay in the delivery of these properties by Hongkun Group for our management in 2020 and 2021 as scheduled. Furthermore, to the best knowledge of our Directors, as at the Latest Practicable Date, three properties located in Hebei province, Tianjin and Hainan province with an aggregated contracted GFA of not less than 138,000 sq.m. were under the development of Hongkun Group. We were informed by Hongkun Group that while Hongkun Group anticipated certain delay in its overall property development progress as a result of the extended business suspension imposed by the PRC government in curbing the COVID-19 outbreak, Hongkun Group expected that it has sufficient resources, capability and capacity to catch up with the process of developments and did not anticipate significant delay in completing the developments of the aforesaid properties. After consulting Hongkun Group, our Directors are of the view that nothing has come to their attention which would suggest otherwise. We believe that Hongkun Group will enter into property management service agreements in respect of these properties with us in 2020 as scheduled. We believe that while there may be certain delay in the delivery of the aforesaid properties to us for management by Hongkun Group, such delay would not be significant and will unlikely have material adverse impact on our financial condition.

SUMMARY

In response to the COVID-19 outbreak, we have implemented a contingency plan and have adopted enhanced hygiene and precautionary measures across our managed properties. Please refer to “Business – Effects of the COVID-19 outbreak – Our contingency plan and response towards the COVID-19 outbreak” in this prospectus for details. We estimate that the additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, to be approximately RMB0.7 million for the year ending 31 December 2020. Our Directors confirm that the additional costs associated with the enhanced measures would have no significant impact on our Group’s financial position for the year ending 31 December 2020.

Unlike other industries such as retail and manufacturing which may be subject to extensive or even complete suspension of operations for a period of time as a result of the COVID-19 outbreak, given the nature of our business operations, our Directors are of the view that the risk of our Group having to suspend our operations is remote.

Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 outbreak.

Currently, it is one of our business strategies to expand our geographic presence and business to at least five cities by 2021, including Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city. Please refer to “Business – Effects of the COVID-19 outbreak – Effects of the COVID-19 outbreak on our business strategy” in this prospectus for details. We believe that our expansion plan as discussed in “Business – Our business strategies” in this prospectus is feasible, and it is unlikely that we would change the use of the proceeds from the Global Offering as a result of the COVID-19 outbreak.

Subsequent to the Track Record Period and up to the date of this prospectus, there was no material change to our business model, revenue and cost structure.

Based on our unaudited consolidated financial statements for the year ended 31 December 2019, our revenue and gross profit for the year ended 31 December 2019 increased compared to our revenue and gross profit for the year ended 31 December 2018 primarily attributable to the increase in our revenue-bearing GFA as well as our average property management fee rate. The increase in our gross profit margin for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018 was primarily attributable to the increase in our average property management fee as a result of new property management projects we undertook and the stage-by-stage delivery of certain property projects under our management and the decrease in our average cost of property management services mainly due to economies of scale and our increased level of subcontracting.

Save for the aforesaid effects of the COVID-19 outbreaks, our Directors confirm that there has been no material adverse change in our business operations and business environment in which we were operating subsequent to the Track Record Period and up to the date of this prospectus. Nonetheless, we currently expect that our financial results for the year ended 31 December 2019 and the year ending 31 December 2020 will be adversely impacted by our non-recurring listing expenses recognised and to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. Please refer to “Listing expenses” in this section for further details of our listing expenses.

SUMMARY

FORMER LISTING ON THE NEEQ

Beijing Hongkun was listed on the NEEQ on 1 August 2018 and delisted from the NEEQ on 19 December 2018 in contemplation of the listing of our Shares on the Stock Exchange, as our Directors consider Hong Kong to be a suitable location for listing our business, which would give us greater access to international investors and global markets, whilst still maintaining a proximity to the base of our business in the PRC. Our Directors consider the delisting from the NEEQ and the Listing to be in the interests of our Group, our Shareholders and Beijing Hongkun's shareholders, as a whole.

Immediately prior to the delisting from the NEEQ, Beijing Hongkun had 30,000,000 shares in issue which were the same as the number of shares in issue upon listing on the NEEQ. During the listing on the NEEQ, none of the shares of Beijing Hongkun were being traded and there was no fundraising being carried out by Beijing Hongkun. As such, there was no market capitalisation during its listing on the NEEQ. Our Directors confirm, the best of their knowledge, that during the period when Beijing Hongkun was listed on the NEEQ, it had been in compliance in all material respects with all applicable laws and the NEEQ requirements. For further details of Beijing Hongkun's NEEQ listing and delisting, please refer to "History, Reorganisation and corporate structure - The Reorganisation - Step 1: Prior listing and subsequent delisting of Beijing Hongkun" in this prospectus.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we failed to comply with certain applicable laws and regulations, including non-compliance in relation to social insurance fund and housing provident fund contributions. For further details, please refer to "Business – Legal proceedings and compliance" in 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, that our estimated consolidated profit attributable to owners of our Company and unaudited pro forma estimated earnings per Share for the year ended 31 December 2019 are as follows:

Estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019	not less than RMB25.8 million
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2019	not less than RMB0.06

SUMMARY

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on (i) the audited consolidated results of our Group for the eight months ended 31 August 2019 set out in the Accountants' Report in Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of our Group for the four months ended 31 December 2019. The estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 has taken into account expected listing expenses of approximately RMB15.8 million incurred for the year ended 31 December 2019.

The calculation of the unaudited pro forma estimated earnings per Share for the year ended 31 December 2019 is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 and on the assumptions that a total number of 400,000,000 Shares had been in issue throughout the year ended 31 December 2019, without taking into account of any Shares which (i) may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued upon exercise of the Over-allotment Option; or (ii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Technical terms in relation to our Group's industry and business operations are explained in "Glossary of technical terms" in this prospectus.

“Accountants’ Report”	the accountants’ report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, addressed to our Company and the Sole Sponsor as set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alliance Capital” or “Sole Sponsor”	Alliance Capital Partners Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the Sole Sponsor, and one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
“Alpha Securities”	Alpha International Securities (HONG KONG) Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts) and 4 (advising on securities) regulated activities (as defined under the SFO), being one of the Joint Lead Managers
“AMTD”	AMTD Global Markets Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
“Application Form(s)”	the 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 Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 22 February 2020, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus and as amended, supplemented or otherwise modified from time to time
“Ascendor Futur”	Ascendor Futur Holdings Limited (盛達豐控股有限公司), a company limited by shares incorporated under the laws of BVI on 5 March 2019 and is wholly-owned by Will Full
“associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Audit Committee”	the audit committee of our Board
“Beijing Cloud Era”	Beijing Cloud Era Enterprise Operation Management Company Limited* (北京雲時代企業運營管理有限公司), a limited liability company established under the laws of the PRC on 19 February 2016 and an indirect wholly-owned subsidiary of our Company
“Beijing Cloud Era Shanghai Branch”	Beijing Cloud Era Enterprise Operation Management Company Limited Shanghai Branch* (北京雲時代企業運營管理有限公司上海分公司), a branch of Beijing Cloud Era established under the laws of the PRC on 17 July 2019
“Beijing Herun”	Beijing Herun Asset Management Company Limited* (北京合潤資產管理有限公司), a limited liability company established under the laws of the PRC on 13 November 2013 and owned by Mr. Zhao Weihao and Ms. Wu Hong as to 99% and 1%, respectively
“Beijing Hongkun”	Beijing Hongkun Ruibang Property Management Company Limited* (北京鴻坤瑞邦物業管理有限公司), a limited liability company established under the laws of the PRC on 18 June 2003 and an indirect wholly-owned subsidiary of our Company
“Beijing Hongkun Chengde Branch”	Beijing Hongkun Ruibang Property Management Company Limited Chengde Branch* (北京鴻坤瑞邦物業管理有限公司承德分公司), a branch of Beijing Hongkun established under the laws of the PRC on 20 June 2018
“Beijing Hongkun Chuzhou Branch”	Beijing Hongkun Ruibang Property Management Company Limited Chuzhou Branch* (北京鴻坤瑞邦物業管理有限公司滁州分公司), a branch of Beijing Hongkun established under the laws of the PRC on 19 May 2017
“Beijing Hongkun Dongfang Branch”	Beijing Hongkun Ruibang Property Management Company Limited Dongfang Branch* (北京鴻坤瑞邦物業管理有限公司東方分公司), a branch of Beijing Hongkun established under the laws of the PRC on 16 June 2014
“Beijing Hongkun Foshan Branch”	Beijing Hongkun Ruibang Property Management Company Limited Foshan Branch* (北京鴻坤瑞邦物業管理有限公司佛山分公司), a branch of Beijing Hongkun established under the laws of the PRC on 12 September 2019
“Beijing Hongkun Investment Centre”	Beijing Hongkun Ruibang Investment Centre (Limited Partnership)* (北京鴻坤瑞邦投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 19 November 2015 and owned by Hongkun Jituan and Beijing Yirun Venture Capital as to 75% and 25%, respectively

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“Beijing Hongkun Langfang Branch”	Beijing Hongkun Ruibang Property Management Company Limited Langfang Branch* (北京鴻坤瑞邦物業管理有限公司廊坊分公司), a branch of Beijing Hongkun established under the laws of the PRC on 24 August 2015
“Beijing Hongkun Love Housekeeping”	Beijing Hongkun Love Housekeeping Home Economics Services Company Limited* (北京鴻坤有愛管家家政服務有限公司), a limited liability company established under the laws of the PRC on 23 March 2017 and owned by Beijing Hongkun and an Independent Third Party as to 51% and 49%, respectively
“Beijing Hongkun Property Management”	Beijing Hongkun Property Management Company Limited* (北京鴻坤物業管理有限公司), a limited liability company established under the laws of the PRC on 16 July 2010 and an indirect wholly-owned subsidiary of our Company
“Beijing Hongkun Sanya Branch”	Beijing Hongkun Ruibang Property Management Company Limited Sanya Branch* (北京鴻坤瑞邦物業管理有限公司三亞分公司), the branch company of Beijing Hongkun established under the laws of the PRC on 11 September 2013
“Beijing Hongkun Tianjin Branch”	Beijing Hongkun Ruibang Property Management Company Limited Tianjin Branch* (北京鴻坤瑞邦物業管理有限公司天津分公司), the branch company of Beijing Hongkun established under the laws of the PRC on 24 July 2013
“Beijing Hongkun Valley”	Beijing Hongkun Valley Enterprise Operation Management Company Limited* (北京鴻坤谷企業運營管理有限公司), a limited liability company established under the laws of the PRC on 18 February 2016 and an indirect wholly-owned subsidiary of our Company
“Beijing Hongkun Wuxi Branch”	Beijing Hongkun Ruibang Property Management Company Limited Wuxi Branch* (北京鴻坤瑞邦物業管理有限公司無錫分公司), the branch company of Beijing Hongkun established under the laws of the PRC on 14 September 2017
“Beijing Hongkun Xianghe Branch”	Beijing Hongkun Ruibang Property Management Company Limited Xianghe Branch* (北京鴻坤瑞邦物業管理有限公司香河分公司), a branch of Beijing Hongkun established under the laws of the PRC on 4 December 2014
“Beijing Hongkun Yichang Branch”	Beijing Hongkun Ruibang Property Management Company Limited Yichang Branch* (北京鴻坤瑞邦物業管理有限公司宜昌分公司), a branch of Beijing Hongkun established under the laws of the PRC on 23 March 2018

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“Beijing Hongkun Zhangjiakou Branch”	Beijing Hongkun Ruibang Property Management Company Limited Zhangjiakou Branch* (北京鴻坤瑞邦物業管理有限公司張家口分公司), a branch of Beijing Hongkun established under the laws of the PRC on 21 September 2016
“Beijing Hongkun Zhuozhou Branch”	Beijing Hongkun Ruibang Property Management Company Limited Zhuozhou Branch* (北京鴻坤瑞邦物業管理有限公司涿州分公司), a branch of Beijing Hongkun established under the laws of the PRC on 16 September 2015
“Beijing-Tianjin-Hebei Region”	an economic region in the PRC comprising Beijing, Tianjin and Hebei province
“Beijing Yirun Asset Management”	Beijing Yirun Asset Management Company Limited* (北京億潤資產管理有限公司), a limited liability company established under the laws of the PRC on 11 November 2013 and wholly-owned by Beijing Yirun Investment Group
“Beijing Yirun Investment Group”	Beijing Yirun Investment Group Company Limited* (北京億潤投資集團有限公司), a limited liability company established under the laws of the PRC on 26 August 2015 and wholly-owned by Beijing Herun
“Beijing Yirun Venture Capital”	Beijing Yirun Venture Capital Company Limited* (北京億潤創業投資有限公司), a limited liability company established under the laws of the PRC on 15 May 2007 and owned by Mr. Zhao Bin and Beijing Yirun Investment Group as to 1% and 99%, respectively
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI Companies Act”	the BVI Business Companies Act, as amended, supplemented or otherwise modified from time to time
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to “A. Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders” in Appendix V to this prospectus
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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 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 Participant(s)”	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“China Everbright”	China Everbright Securities (HK) Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
“CIA”	China Index Academy* (中國指數研究院), an independent market research company
“CIC”	China Insights Industry Consultancy Limited (灼識行業諮詢有限公司), a PRC market research consultant and an independent third party
“CIC Report”	an independent market research report prepared by CIC, based on information from its database, publicly available sources, industry reports, data obtained from interviews and other resources
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CMBI”	CMB International Capital Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) 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”	Ye Xing Group Holdings Limited (燁星集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Zhao Weihao, Ms. Wu Hong, Mr. Zhao Bin, Will Full and Ascendor Futur
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, believed to have first emerged in Wuhan city, Hubei province, China in late 2019
“Corporate Governance Code”	the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“CRIC Securities”	CRIC Securities Company Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Lead Managers
“Deed of Acting in Concert”	the deed of acting in concert dated 24 July 2019 and executed by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin whereby they confirmed their acting in concert arrangements as more particularly set out in “Relationship with Controlling Shareholders and Parent Group – Our Controlling Shareholders – Deed of Acting in Concert” in this prospectus. Ms. Wu Hong is Mr. Zhao Bin’s spouse and Mr. Zhao Weihao is their son. They are together our Controlling Shareholders
“Deed of Indemnity”	a deed of indemnity dated 17 February 2020 and entered into by the Controlling Shareholders in favour of our Company regarding certain indemnities, particulars of which are set out in “E. Other information – 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus

DEFINITIONS

“developer-affiliated property management companies”	property management companies that are affiliated to property developers
“Director(s)”	the director(s) of our Company
“Dongfang Hongkun”	Dongfang Hongkun Ruibang Property Service Company Limited* (東方鴻坤瑞邦物業服務有限公司), a limited liability company established under the laws of the PRC on 11 October 2011 and an indirect wholly-owned subsidiary of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 5% below the bottom end of the indicative Offer Price range in compliance with the minimum market capitalisation requirement of at least HK\$500 million under Rule 8.09(2) of the Listing Rules
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) approved during the Fifth Session of the 10 th National People’s Congress and became effective on 1 January 2008
“Futu Securities”	Futu Securities International (Hong Kong) Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), 7 (providing automated trading services) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
“GDP”	gross domestic product
“Global Offering”	the Public Offer and the Placing
“Glory Sun”	Glory Sun Securities Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider , designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context so requires with respect of the period before our Company became the holding company of our existing subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time

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“Haitong International”	Haitong International Securities Company Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), and 4 (advising on securities) regulated activities (as defined under the SFO), being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
“Hebei Norden”	Hebei Hongkun Norden Machinery Equipment Installation Engineering Company Limited* (河北鴻坤諾登機械設備安裝工程有限公司), a limited liability company established under the laws of the PRC on 13 July 2017 and an Independent Third Party
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting the application online through the designated website of HK eIPO White Form 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 designated website at www.hkeipo.hk or in the IPO App
“HK\$”, “HKD” or “HK dollar(s)”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hongkun (Beijing) Business Management”	Hongkun (Beijing) Business Management Company Limited* (鴻坤(北京)商業管理有限公司), a limited liability company established under the laws of the PRC on 17 December 2008 and an indirect wholly-owned subsidiary of our Company
“Hongkun Group”	Hongkun Jituan and its subsidiaries, associated companies and joint ventures after completion of the Reorganisation
“Hongkun Jituan”	Hongkun Jituan Company Limited* (鴻坤集團有限公司), a limited liability company established under the laws of the PRC on 15 September 2014 and wholly-owned by Beijing Herun

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“Hongkun Weiye”	Beijing Hongkun Weiye Property Development Company Limited* (北京鴻坤偉業房地產開發有限公司), a limited liability company established under the laws of the PRC on 20 August 2002 and owned as to 97.73% by Hongkun Jituan and 2.27% by other companies which are directly or indirectly wholly-owned by Mr. Zhao Bin and Ms. Wu Hong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch Share registrar and transfer office of our Company
“Huatai Financial”	Huatai Financial Holdings (Hong Kong) Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
“Independent Third Party(ies)”	third party(ies) who is(are) not connected with any of our Directors or our Controlling Shareholders or any of our subsidiaries or any of our respective associates (within the meaning of the Listing Rules)
“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
“Joint Bookrunners”	Huatai Financial, Haitong International, Alliance Capital, Tonghai Securities, CMBI, AMTD, China Everbright, Futu Securities, Glory Sun and Realord Securities
“Joint Global Coordinators”	Huatai Financial, Haitong International, Alliance Capital and Tonghai Securities
“Joint Lead Managers”	Huatai Financial, Haitong International, Alliance Capital, Tonghai Securities, CMBI, AMTD, China Everbright, Futu Securities, Glory Sun, Realord Securities, Alpha Securities, CRIC Securities and Maxa Capital
“Latest Practicable Date”	18 February 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication

DEFINITIONS

“Listing”	the commencement of trading of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, 13 March 2020, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Maxa Capital”	Maxa Capital Limited, a corporation licensed under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities (as defined under the SFO), being one of the Joint Lead Managers
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 22 February 2020, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended, supplemented or modified from time to time
“MOF”	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) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), a national securities trading market in the PRC for trading the shares of public companies that are not listed on either the Shenzhen or Shanghai stock exchange

DEFINITIONS

“Ningxia Yirun”	Ningxia Yirun Chuangzhi Investment Centre (Limited Partnership)* (寧夏億潤創智投資中心(有限合夥)), a limited partnership enterprise established under the laws of the PRC on 5 July 2017 and owned by Beijing Yirun Venture Capital and Beijing Yirun Asset Management as to 10% and 90%, respectively
“Nomination Committee”	the nomination committee of our Board
“non-SOE-related entities”	entities that are not SOE and entities that are owned, whether directly or indirectly, by SOE by less than 30%
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%), which will be not more than HK\$1.58 per Offer Share and is expected to be not less than HK\$1.32 per Offer Share, such price to be fixed on or before the Price Determination Date, subject to any Downward Offer Price Adjustment
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option proposed to be granted by our Company to and exercisable by the Stabilising Manager (on behalf of the Placing Underwriters) pursuant to the Placing Underwriting Agreement, under which the Stabilising Manager (for itself and on behalf of the Placing Underwriters) may require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, for the sole purpose of covering any over-allocations in the Placing, if any, as further described in “Structure of the Global Offering” in this prospectus
“Parent Group”	Beijing Herun and its subsidiaries, associated companies and joint ventures after completion of the Reorganisation
“PBOC”	the People’s Bank of China (中國人民銀行)
“person”	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity

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“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company to professional, institutional and other investors at the Offer Price on and subject to the terms and conditions under the Placing Underwriting Agreement, as further described in “Structure of the Global Offering” in this prospectus
“Placing Shares”	the 90,000,000 Shares initially being offered by our Company for subscription pursuant to the Placing, together with, where relevant, any additional Shares that may be issued by our Company pursuant to any exercise of the Over-allotment Option
“Placing Underwriters”	the group of underwriters for the Placing who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the placing underwriting agreement relating to the Placing to be entered into on or about the Price Determination Date by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters
“PRC government”	the government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng (北京市競天公誠律師事務所), the legal adviser to our Company as to the laws of the PRC
“Pre-IPO Investment”	the investment in our Company undertaken by the Pre-IPO Investor prior to the Global Offering, details of which are set out in “History, Reorganisation and corporate structure – Pre-IPO Investment” in this prospectus
“Pre-IPO Investor”	Winz Strategy
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between Huatai Financial (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to determine and record the Offer Price

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“Price Determination Date”	the date, expected to be on or around Friday, 6 March 2020 (Hong Kong time) but no later than Monday, 9 March 2020, on which the Offer Price is determined for the purpose of the Global Offering
“Public Offer”	the offer of the Public Offer Shares by our Company for subscription to members of the public in Hong Kong at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “Structure of the Global Offering – The Public Offer” in this prospectus
“Public Offer Shares”	the 10,000,000 Offer Shares being initially offered by our Company at the Offer Price for subscription pursuant to the Public Offer, subject to adjustment as described in “Structure of the Global Offering” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer as set out in “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 27 February 2020 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters
“R&D”	research and development
“Realord Securities”	Realord Asia Pacific Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activity (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and corporate structure – The Reorganisation” in this prospectus
“RMB” or “Renminbi”	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)
“SAIC”	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)

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“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 February 2020, a summary of the principal terms of which is set out in “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“SOE”	state-owned enterprise
“Stabilising Manager”	Huatai Financial
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into by Ascendor Futur and the Stabilising Manager on or around the Price Determination Date, pursuant to which the Stabilising Manager may borrow up to 15,000,000 Shares to cover any over-allocation in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianjin Hongsheng”	Tianjin Hongsheng Property Services Company Limited* (天津鴻盛物業服務有限公司), a limited liability company established under the laws of the PRC on 27 December 2013 and an indirect wholly-owned subsidiary of our Company

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“Tonghai Securities”	China Tonghai Securities Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
“Track Record Period”	the three years ended 31 December 2016, 2017 and 2018 and the eight months ended 31 August 2019, respectively; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to the three years ended 31 December 2016, 2017 and 2018 and the eight months ended 31 August 2019, respectively
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“Will Full”	Will Full Holdings Limited (偉賦控股有限公司), a company limited by shares incorporated under the laws of BVI on 5 March 2019 and directly owned by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin as to 98.62%, 1.00% and 0.38%, respectively
“Winz Strategy”	Winz Strategy Company Limited (凱宏策略有限公司), a company limited by shares incorporated under the laws of BVI on 10 April 2017 and wholly-owned by Ms. Li Yin Ping
“Withdrawal Mechanism”	a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information e.g. the Offer Price in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change

DEFINITIONS

“Xianghe Hongkun”	Xianghe Hongkun Property Service Company Limited* (香河鴻坤物業服務有限公司), a limited liability company established under the laws of the PRC on 25 April 2011 and an indirect wholly-owned subsidiary of our Company
“Ye Xing Holdings”	Ye Xing Holdings Limited (燁星控股有限公司), a company limited by shares incorporated under the laws of BVI on 4 April 2019 and a direct wholly-owned subsidiary of our Company
“Ye Xing (HK)”	Ye Xing (HK) Holdings Limited (燁星(香港)控股有限公司), a company limited by shares incorporated under the laws of Hong Kong on 12 April 2019 and an indirect wholly-owned subsidiary of our Company
“YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“Yichang Zhongxiang”	Yichang Zhongxiang Property Management Company Limited* (宜昌中翔物業管理有限公司), a limited liability company established under the laws of the PRC on 21 November 2012 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

In this prospectus, unless expressly stated or the context requires otherwise:

- *all information and data is as at the Latest Practicable Date;*
- *certain amounts and percentage figures, including but not limited to, shareholdings and operating data, may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them;*
- *all references to any shareholdings in our Company assume no exercise of the Over-allotment Option unless otherwise specified;*
- *English names marked with “*” are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. Such English translations are provided for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail; and*
- *if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.*

GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	compound annual growth rate
“common areas”	common areas in residential properties jointly-owned by the property owners, mainly including parking lots, advertisement bulletin boards, and club houses, etc
“GFA”	gross floor area
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the management system of business organisations
“O2O”	online to offline
“revenue-bearing GFA”	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we provide property management services and are entitled to collect the relevant property management fees as at the relevant date
“sq.m.”	square metre(s)

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” or similar words or statements, in particular, in “Business”, “Future plans and use of proceeds” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- various business opportunities that we may pursue;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed “Risk factors” in this prospectus. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that our company was incorporated in the Cayman Islands and that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, please refer to “Regulatory overview” in this prospectus. Our business, results of operations, financial position or prospects could be affected materially and adversely if any of the circumstances or events described below actually rises or occurs.

We believe that there are certain risks and uncertainties in relation to our business and operations, some of which are beyond our control. These risks and uncertainties can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Global Offering and our Shares; and (v) risks relating to statements made in this prospectus and from other sources.

RISKS RELATING TO OUR BUSINESS

We generate a substantial portion of our revenue from the property management services that we provide in relation to the properties developed by Hongkun Group.

During the Track Record Period, we derived the majority of our property management services revenue from our management of properties developed by Hongkun Group, which amounted to approximately RMB73.8 million, RMB113.2 million, RMB166.5 million and RMB120.7 million, respectively, accounting for 100.0%, 100.0%, approximately 98.4% and 98.5% of our total property management services revenue, respectively.

Furthermore, during the Track Record Period, Parent Group contributed a substantial portion of our revenue to our Group, which amounted to approximately RMB40.4 million, RMB74.7 million, RMB91.2 million and RMB59.3 million, respectively, representing approximately 34.7%, 39.0%, 36.3% and 33.8% of our total revenue, respectively.

We do not have control over Hongkun Group’s growth and development strategy. Any adverse development in the operations of Hongkun Group or its inability to complete its property development projects may affect our ability to secure new property management engagements from it. We cannot assure you that Hongkun Group will continue to engage us as the property management service provider for the properties they develop, given in particular that the appointment of property management companies is generally subject to a tender process under the PRC laws. In addition, there is no guarantee that Hongkun Group will renew their current property management service agreements with us upon their respective expirations. If any of these events occurs or we are unable to expand our property management engagements from independent third party property developers, we may experience a material adverse effect on our business, results of operations and financial position.

RISK FACTORS

Moreover, during the Track Record Period, the PRC government had implemented tightening measures on the PRC property developers' selling and fund/debt raising activities, which may have a negative impact on their financial conditions and business operations. There is no assurance that the PRC government will not introduce additional or other types of restrictive policies, regulations or measures that may affect the property development market in future. Should Hongkun Group fail to adapt to these new policies, regulations or measures, its business, results of operations and financial position may be adversely affected.

We may fail to secure new property management engagements as planned or on favourable terms or at all, which may have a material adverse effect on our business, growth prospects, results of operations and financial position.

We consider that our ability to expand our property management portfolio is crucial to the sustainable growth of our business. We experienced steady growth in our business during the Track Record Period, primarily attributable to our efforts to expand our property management portfolio by managing more residential and non-residential properties. Our total revenue-bearing GFA increased from approximately 2.9 million sq.m. as at 31 December 2016 to approximately 3.7 million sq.m. as at 31 December 2017, and further increased to approximately 4.6 million sq.m. and 4.9 million sq.m. as at 31 December 2018 and 31 August 2019, respectively. We seek to continue to expand our property management portfolio by managing more properties developed by Hongkun Group and third party property developers. For details of our expansion plan, please refer to "Business – Our business strategies – Expand our geographic presence and scale of operations to broaden our revenue sources" in this prospectus.

During the Track Record Period, we generally obtained new property management service agreements through participating in tenders organised by the property developers. To the best of our Directors' knowledge, in selecting a property management company, property developers typically take into account a number of factors, including but not limited to the operating history of the property management company, its track record, its reputation, quality and reliability of services provided and the pricing competitiveness. Furthermore, the terms of our property management engagements will be subject to our negotiation with potential customers. There is no assurance that we will be able to secure new property management service agreements on favourable terms or at all in the future.

Furthermore, our growth may be affected by a number of factors, most of which are beyond our control, such as (i) PRC's general economic condition; (ii) regulatory developments in the real estate market and property management industry; (iii) fluctuations in the supply and demand for property management services; and (iv) our ability to adapt to new markets where we have no prior experience. In addition, the majority of the properties we managed during the Track Record Period were developed by Hongkun Group. Given that our future growth will continue to depend on the prospects of Hongkun Group's property management business, any adverse development in the operations of Hongkun Group or its ability to develop new properties as planned or at all may negatively affect our ability to secure new property management engagements from Hongkun Group. To achieve our growth objectives, we are also required to enhance our administrative and operational resources to support the enlarged business scale. We will need to recruit and train more employees, manage and foster our relationship with a growing base of customers, suppliers, subcontractors and other business partners.

RISK FACTORS

It is part of our expansion plan to seek more property management engagements for properties developed by third party developers. We, however, cannot guarantee that our gross profit margin for providing property management services to properties developed by third party property developers will be comparable to or more favourable than that for properties developed by Hongkun Group. During the Track Record Period, our gross profit margin for property management services provided to properties developed by third party property developers was lower than that for properties developed by Hongkun Group. During the Track Record Period, our gross profit margins were (i) N/A, N/A, approximately 4.5% and 5.8% for property management services provided to properties developed by third party property developers, and (ii) approximately 39.3%, 43.2%, 36.9% and 43.6% for property management services provided to properties developed by Hongkun Group. If we were successful in securing more property management engagements from independent third party developers, there is no assurance that such new engagements will have a material positive impact on our overall gross profit margin and profitability.

We formulate our expansion plans on the basis of market prospects. However, we cannot assure you that our assessment will turn out to be accurate or our future growth will materialise as planned. If we are unable to execute our growth strategies or manage our growth effectively, we may not be able to timely capture market opportunities, which may materially and adversely affect our business, growth prospects, results of operations and financial position.

We may be subject to losses for property management fees we charge on a lump sum basis.

During the Track Record Period, we derived the majority of our revenue from property management fees charged on a lump sum basis, which accounted for approximately 86.0%, 90.1% and 93.9% and 94.1% of our total revenue generated from property management services, respectively. On a lump-sum basis, property developers and property owners pay us a pre-negotiated amount, representing an all-inclusive fee for the property management services provided. These property management fees are fixed regardless of the actual amount of expenses we incur in the course of providing property management services. For details of property management fees charged on a lump sum basis, please refer to “Business – Property management services – Property management fees – Property management fees charged on a lump sum basis” in this prospectus. During the Track Record Period, our Company did not incur any material loss for properties managed under the lump sum management fees model.

In the event that the amount of property management fees we collect is not sufficient to cover all the costs and expenses associated with our provision of property management services, we are not entitled to collect the shortfall from our customers. Therefore, if we fail to accurately predict the actual costs prior to determining the level of property management fees which are charged on a lump sum basis, our profitability, results of operations and financial position could suffer materially and adversely.

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

During the Track Record Period, our revenue from property management services amounted to approximately RMB73.8 million, RMB113.2 million, RMB169.3 million, and RMB122.6 million, representing approximately 63.3%, 59.1%, 67.4% and 69.9% of our total revenue, respectively.

RISK FACTORS

For residential properties, we enter into preliminary property management service agreements with property developers at the pre-sale and pre-delivery stages, which will expire upon the establishment of the property owners' committee. We will then enter into a new property management service agreement with the property owners' committee if the property owners' committee decides to continue to engage us as the property management service company. However, there is no assurance that the relevant property owners' committee, upon its establishment, would do so. For residential properties, our property management service agreements with property developers typically have a term ranging from one to three years or until the establishment of the property owners' committee.

For non-residential properties, we enter into property management service agreement with property developers and property owners. For non-residential properties, our property management service agreements typically have a term of one year or more.

As at the Latest Practicable Date, our property management service agreements in respect of approximately 58.5% and 92.9% of the properties for which we had and had not commenced provision of property management services, respectively, had no fixed term either because such agreements (i) have no fixed term set out in the agreement; or (ii) contain provisions that automatically extend the term of the agreement until the formation of the property owners' committee.

During the Track Record Period and up to the Latest Practicable Date, our renewal rate with respect to property management service agreements for non-residential properties, calculated by dividing the number of renewed property management service agreements in a given period by the number of expiring property management service agreements (if any), without taking into account agreements that were terminated during the year/period, was N/A, N/A, 100.0%, N/A and N/A, respectively.

Although the term of our service agreements for these residential properties are typically three years, if no property owners' committee is formed within three months from the expiry of the service agreement, the term of the service agreement is automatically extended until the formation of the property owners' committee. During the Track Record Period, a property owners' committee was formed in National Guest No. 1* (國賓一號) in Yichang city, Hubei province in May 2019. During the Track Record Period and up to the Latest Practicable Date, save for National Guest No. 1* (國賓一號) in Yichang city, Hubei province, none of the residential properties developed by Hongkun Group and managed by us had formed a property owners' committee, and therefore, as confirmed by our PRC Legal Advisers, none of the relevant service agreements has expired for the periods indicated. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years. Further, in 2018, a property management service agreement for one residential property developed by a third party property developer expired and was renewed. We renewed such property management service agreement with the property developer of the relevant residential property. Therefore, our renewal rate with respect to property management service agreements for residential properties were N/A, N/A, 100.0%, N/A and 100.0%, respectively, during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we terminated three property management service agreements before their expiry (including property management service agreements for two residential properties and one non-residential property during the Track Record Period), all of which were due to reasons on the part of the property developers/owners.

RISK FACTORS

There is no assurance that our property management agreements will be renewed upon their expiration. It is also possible that such property management agreements (including preliminary property management agreements for residential properties prior to the establishment of the property owners' committees) may be terminated for cause prior to expiration. In the event of such non-renewals or early terminations, our business, results of operations and financial position could be materially and adversely affected.

Furthermore, the growth of our value-added services depends in part on the operations of our property management services. As a result, early terminations or non-renewals of our property management service agreements could also adversely affect the prospect of our value-added services. There is no guarantee that we will be able to grow or expand our value-added services independently of our property management services.

Our plan to expand our geographic presence by means of acquisitions may not be successful.

It is part of our expansion plan to broaden our geographic coverage in the PRC through strategic acquisitions of local property management companies. We intend to expand our market reach in the PRC to cover at least five additional cities by 2021, by strategically acquiring suitable local property management companies to further increase our business scale and expand our geographic presence in the PRC, especially in areas outside the Beijing-Tianjin-Hebei Region. For further details regarding our expansion plans, please refer to “Business – Our business strategies – Expand our geographic presence and scale of operations to broaden our revenue sources” in this prospectus. We may be exposed to the various risks and uncertainties that are inherent in acquisitions, including but not limited to (i) potential ongoing financial obligations and unforeseen or hidden liabilities in relation to the target companies; (ii) our inability to apply our business model or standardised operational procedures on the target companies; (iii) increase in depreciation and amortisation costs arising from the acquired assets; and (iv) our inability to achieve the intended acquisition objectives. In addition, we may not be able to identify suitable targets for acquisition. Our expansion plan may also be adversely impacted as a result of the outbreak of COVID-19 which was first emerged in Wuhan city, Hubei province, China in late 2019 and which continues to expand within the PRC and globally. Even if we are able to identify appropriate acquisition opportunities, there is no guarantee that we can complete the acquisitions on terms favourable to us, in a timely manner or at all. Should any of these events occur, we may experience a delay to our expansion plans, adversely affecting our competitiveness and growth prospects. Furthermore, we may face difficulties in integrating the business operations of the acquired targets with our own. Such post-acquisition difficulties could disrupt our on-going business operations, distract our management's attention or increase our operating expenses, any of which could materially and adversely affect our business, results of operations and financial position.

We plan to utilise approximately 65.0%, or approximately HK\$64.4 million of our net proceeds from the Global Offering to acquire local property management companies and to establish new subsidiaries or open new branches locally, in furtherance of our expansion plan. For more information, please refer to “Future plans and use of proceeds” in this prospectus. If we fail to identify suitable acquisition opportunities or our future acquisitions fail to complete for any reason beyond our control, our proceeds from this Global Offering may not be effectively used.

RISK FACTORS

We may not be able to successfully collect our property management fees and/or property developer related services fees, which may lead to additional impairment losses on or write off of our trade receivables.

Before accepting new property management engagement, we normally assess the collectability of management fees of the relevant properties by taking into account a number of indicators, for example the historical collection rate if such data is available, the reputation of the relevant property developers and the general background the property owners. However, there is no assurance that such assessment would enable us to accurately predict our future collection rate. We may encounter difficulties in collecting property management fees from property developers and property owners. We cannot assure you that our various collection measures for collecting overdue property management fees will be effective. Moreover, property management fees are regulated by the PRC laws and regulations and any change in the relevant PRC laws and regulations may also affect our ability to successfully collect our property management fees.

Furthermore, for property management fees charged on a commission basis, if the amount of management fees collected were insufficient to satisfy the costs, we may need to make up for the shortfall with our own resources and pay on behalf of property owners and residents and recover the shortfall from them later.

The collection rate of our property management fees from external customers, which is calculated by dividing the property management fees we actually received from external customers during a year/period by the total property management fees from external customers payable to us during the same year/period, was approximately 93.2%, 91.4%, 91.1% and 88.5% for the Track Record Period, respectively. On the other hand, the overall collection rate of our service fees from Parent Group, in particular our property developer related services, and to a less extent our property management services, which is calculated by dividing the total services fees we actually received from Parent Group during a year/period by the total revenue from Parent Group payable to us during the same year/period, was approximately 91.1%, 81.9%, 20.0% and 36.2% for the Track Record Period, respectively. The low collection rate for 2018 and the eight months ended 31 August 2019 was mainly attributable to the prolonged settlement of the relevant service fees from Parent Group. Up to the Latest Practicable Date, approximately RMB55.1 million (or approximately 90.8%) of our trade nature amounts due from fellow subsidiaries as at 31 August 2019 were subsequently settled.

Our allowance for doubtful debts/expected credit loss on trade receivables amounted to approximately RMB0.6 million, RMB1.2 million, RMB1.7 million and RMB2.2 million as at 31 December 2016, 2017 and 2018 and 31 August 2019, respectively. We have made our estimation and the related assumptions in accordance with the information currently available to us, and we expect that we may need to adjust such estimation or assumptions if new information becomes known. In particular, if the actual recoverability is lower than expected, or that our past allowance for doubtful debts/expected credit loss on trade receivables becomes insufficient in light of any new circumstance, we may need to make additional allowance for doubtful debts/expected credit loss on trade receivables, which may in turn materially and adversely affect our business, results of operations and financial position.

RISK FACTORS

We are susceptible to fluctuations in our labour and subcontracting costs.

Given the labour-intensive nature of the property management industry, labour costs constitute a significant component of our cost of services. During the Track Record Period, our labour costs represented approximately 41.6%, 46.2%, 46.6% and 40.8% of our cost of services, respectively. Furthermore, we engage subcontractors to perform certain property management services to optimise our operations, which mainly include cleaning, gardening, equipment maintenance, site security services and car park management. During the Track Record Period, our subcontracting costs accounted for approximately 28.7%, 29.5%, 30.7% and 41.5% of our cost of services, respectively. Collectively, our labour and subcontracting costs represented a significant portion of our cost of services during the Track Record Period, and therefore we believe that in order to maintain and improve our profitability, it is crucial for us to effectively manage such costs.

Nevertheless, we may face rising pressures in relation to labour and subcontracting costs from various aspects. There has been an increasing trend in the general remuneration level in the regions we provide property management services, particularly the Beijing-Tianjin-Hebei Region in the PRC. As a result of such an upward trend, we face the pressure to increase the fees we pay to our employees and subcontractors. As we expand our business, we expect to increase our headcount and number of subcontractors to support the enlarged scale of operations. In view of the keen competition for recruiting qualified employees in the property management industry in the PRC, we may have to offer more competitive package such as higher wages to attract talents. In addition, the increase in headcount may also increase other associated costs such as recruitment expenses, training, social insurance and housing provident fund contributions.

During the Track Record Period, a significant portion of our property management fees were charged on a lump sum basis, under which we retained all the property management fees we collected, but we also bore all the expenses associated with providing our services, including labour and subcontracting costs. If we are unable to increase the level of our property management fees sufficiently to pass the increased labour or subcontracting costs onto our customers, our business, results of operations and financial position may be materially and adversely affected.

We rely on subcontractors to perform certain property management services to customers, and we may be exposed to liabilities arising from or relating to disputes and claims in relation to services provided by our subcontractors.

With a view to optimising our operations, we engage subcontractors to perform certain property management services for our customers, which mainly include security, cleaning, gardening, management of car parks, as well as repair and maintenance services for public facilities (such as lifts and fire safety equipment).

RISK FACTORS

We have formulated and implemented an internal policy regarding the selection and management of subcontractors. According to such policy, we select our subcontractors based on a number of factors such as their expertise and suitability, our past business relationship, as well as the quality and reliability of their services. We monitor the performance of our subcontractors on an on-going basis, however, we may not be able to monitor such services as directly and efficiently. Our subcontractors may take actions different from our instructions or requests, or be unable or unwilling to fulfil their obligations in accordance with the relevant subcontracting agreements entered into with us. Therefore, we may be exposed to risks associated with the substandard services provided by our subcontractors, including but not limited to damage to our brand image and reputation, as well as potential litigation and monetary claims brought by our customers. We may have to incur additional costs for replacing the underperforming subcontractors. In addition, we could also be required to indemnify customers for work performed by our subcontractors. There is no guarantee that we will be able to recover such amounts from the subcontractor concerned pursuant to the subcontract. Furthermore, when our existing subcontracting agreements expire, we cannot assure you that we will be able to renew such agreements or secure suitable alternatives in a timely manner, on terms favourable to us, or at all.

The occurrence of any of these events could materially and adversely affect our service quality, reputation, results of operations as well as financial position.

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

During the Track Record Period, we experienced stable growth in terms of revenue and profit growth. Our revenue increased from approximately RMB116.5 million in 2016 to approximately RMB191.6 million in 2017, and further to approximately RMB251.2 million in 2018, representing a CAGR of approximately 46.8%. Our revenue increased from approximately RMB158.1 million for the eight months ended 31 August 2018 to approximately RMB175.4 million for the eight months ended 31 August 2019, representing a growth rate of approximately 10.9%. Our net profit increased from approximately RMB17.6 million in 2016 to approximately RMB35.6 million in 2017, and further to approximately RMB37.2 million in 2018, representing a CAGR of approximately 45.6%. Our adjusted net profit (excluding our listing expenses) increased from approximately RMB26.3 million for the eight months ended 31 August 2018 to approximately RMB34.0 million for eight months ended 31 August 2019, representing a growth rate of approximately 29.2%. However, we cannot assure you that we can maintain our historical growth rate in the future. Furthermore, our future profitability may be affected by our ability to control costs and operating expenses going forward, as well as other evolving regulatory and economic factors which may be beyond our control. We may not be able to expand our portfolio of managed properties and our total revenue-bearing GFA as planned or at all, which could in turn adversely affect our ability to continue to improve our business prospects and profitability. Therefore, investors should not solely rely on our historical performance to predict our future financial position and results of operation.

RISK FACTORS

We recorded net operating cash outflow in 2018 and for the eight months ended 31 August 2018, and our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management.

In 2018 and for the eight months ended 31 August 2018, we recorded net operating cash outflows of approximately RMB0.9 million and RMB43.3 million, respectively, which were primarily attributable to (i) the increased use of our cash and cash equivalents for our investments in wealth management products; and/or (ii) the prolonged settlement of trade receivables by Parent Group mainly in respect of our property developer related services. For further details of our net operating cash outflows, please refer to “Financial information – Liquidity and capital resources – Cash flows” in this prospectus.

Although we primarily finance our working capital needs with our cash at banks and net cash generated from operating activities, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we cannot generate net cash from operating activities. Net operating cash outflows could impair our ability to maintain operational flexibility and could limit our necessary capital expenditures as well as adversely affect our ability to meet our liquidity requirements. Further, negative operating cash flows may require us to obtain sufficient external financing to finance our business operations, and meet our financing needs and obligations. We cannot assure you that we will not suffer any decline in our future working capital or experience net operating cash outflows in the future. If we fail to maintain sufficient working capital and effective cash flow management, we may face financial difficulties and we may be in default of our payment obligations and our daily business activities may be adversely impacted. Thus, our business and financial condition could be materially and adversely affected.

Damage to the common areas of the properties under our management could adversely affect our reputation, business, results of operations and financial position.

The common areas of our managed properties, such as the lobbies, corridors, stairways, car parks, elevator shafts, recreational areas, outdoor open spaces and equipment rooms, may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters, accidents and other intentional or unintentional actions. PRC laws and regulations require each residential community to establish a special fund to pay for the repair and maintenance costs of common areas. However, there is no guarantee that such special fund will be sufficient to cover all the repair and maintenance costs. We may need to pay the shortfall to the extent that the special fund is insufficient to cover all the repair and maintenance expenses, and subsequently collect the shortfall from the property owners’ committees. During the Track Record Period, we were unable to recover a shortfall of approximately RMB0.4 million, RMB0.5 million, RMB0.3 million and RMB0.3 million, respectively, in our repair and maintenance costs. Any material inability to collect the shortfall amount may materially and adversely affect our business, results of operations and financial position. Furthermore, as we intend to continue to grow our business through managing more properties, the likelihood that any damage would be done to the common areas of our managed properties may increase accordingly.

RISK FACTORS

A significant portion of our operations is concentrated in the Beijing-Tianjin-Hebei Region, and we are susceptible to trends and developments in this region.

During the Track Record Period, we predominantly provided property management services for properties located in the Beijing-Tianjin-Hebei Region. During the Track Record Period, our revenue generated from managing properties located in the Beijing-Tianjin-Hebei Region represented approximately 94.5%, 91.2%, 87.6% and 88.9% of our total revenue, respectively. We expect that the properties we manage in the Beijing-Tianjin-Hebei Region will continue to contribute a significant portion of our operations in the foreseeable future. According to the CIC Report, the Beijing-Tianjin-Hebei Region is one the key economic zones in the PRC and the PRC government may introduce new development plans or policies from time to time, which may have an impact on our operations or on the property management industry in this region. In addition, adverse events beyond our control such as economic downturn, natural disasters, contagious disease outbreak or terrorist attack may occur in the Beijing-Tianjin-Hebei Region. The occurrence of any such event could materially and adversely affect our business, financial position and results of operations.

We may experience malfunctions in or interruptions to our information technology systems.

We rely on a range of technological solutions, including but not limited to the mobile applications Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家 to manage the core aspects of our business operations. We cannot assure you that malfunctions in or interruptions to such systems caused by power outages, computer viruses, hardware and software failures, fires, natural disasters, security breaches will not occur.

Any interruption or disruption to our information technology systems may incur additional costs in restoring the systems and become unable to provide services to our customers in a timely and efficient manner, which could materially and adversely affect our business, results of operations and financial position.

The operation of our mobile application Hongkunhui* 鴻坤薈 is subject to relevant PRC privacy and personal data protection laws, rules and regulations and any non-compliance may materially affect our business and reputation.

We launched Hongkunhui* 鴻坤薈 in August 2018 as an integrated one-stop online service platform for property owners and residents of our managed properties. During the course of our business operations and through Hongkunhui* 鴻坤薈, we collect data from our customers. For example, we receive, process and store personal information of property owners and residents when they create an online account and make use of the services available on Hongkunhui* 鴻坤薈. Although we have implemented a series of measures to ensure the security of our customers' data, our current security measures may still not be sufficient. Privacy and data protection laws for mobile platforms are evolving rapidly. Any failure or perceived failure by us to comply with the relevant privacy and data protection laws, rules and regulations, our data protection measures or any compromise in security resulting in unauthorised access, release or transfer of personally identifiable information or data on Hongkunhui* 鴻坤薈 may result in enforcement actions, litigations, or public sanctions against us. Any loss of trust or confidence in us by property owners and residents of our managed properties may also deter them from using Hongkunhui* 鴻坤薈 and lead to a long-term detrimental effect on our business and reputation.

RISK FACTORS

We are exposed to risks in relation to occurrence of work injuries and/or accidents.

Work injuries and accidents may occur in the course of our business operations. For example, repair and maintenance services may involve the handling of tools and heavy machinery, hence the inherent risks relating to occurrence of work injuries and accidents when our employees or employees of our subcontractors provide these services. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material adverse effect on our business, results of operations and financial position.

Nevertheless, we cannot guarantee that no work injury or accident, which could result in property damage, personal injury or even death to residents, property owners, our employees or employees of our subcontractors, will occur in the future. We may be held liable for such injuries and/or accidents, whether fatal or otherwise. We may also be exposed to claims against negligent and/or reckless behaviour on the part of our employees or employees of our subcontractors. There is no assurance that the accident personal injury insurance policies that we and/or our subcontractors maintain will be sufficient or available to cover the liabilities, damages or losses we may be exposed to as a result of such incidents or accidents. The occurrence of work injuries and/or accidents could materially and adversely affect our reputation, business, results of operations and financial position.

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

Our continued success is highly dependent on the efforts of our Directors, senior management and other key employees, such as Ms. Wu Guoqing, our executive Director and Mr. Kong Linggong, our vice marketing director and operations director. If any of our Directors, senior management and other key employees leave our Group and we are unable to promptly recruit a qualified and competent replacement, our business, results of operations and financial position may be materially and adversely affected. In addition, the future growth of our business will depend in part on our ability to recruit, train and retain qualified employees in all aspects of our business, such as business development personnel, property management personnel and financial management personnel. If we are unable to recruit, train and retain qualified employees, our growth may be limited and our business, operating results and financial position could be materially and adversely affected.

We may be exposed to risks associated with failing to detect, deter and prevent all incidents of fraud, negligence, theft or other misconduct committed by our employees, subcontractors or other third parties.

We have established internal control and risk management systems, comprising policies and procedures that we believe are appropriate for monitoring our operations and ensuring overall compliance. However, we cannot assure you that such systems and policies will always enable us to detect, deter, prevent and take remedial measures in relation to fraud, negligence, theft or other misconduct committed by our employees, subcontractors or other third parties in a timely and effective manner, or at all. Examples of such misconduct include crimes such as theft, vandalism and bribery during tenders.

RISK FACTORS

Although we have limited control over the behaviour of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. To the extent that we are unable to recover related costs from the employees, subcontractors or third parties involved in the misconduct, we may experience a material adverse effect on our reputation, business, results of operations and financial position.

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

As we expand our operations into new geographic markets and diversify our service offerings, we expect to become subject to an increasing number of laws and regulations. In addition, as the size and scope of our operations increase, the difficulty of ensuring compliance with the applicable laws and regulations and the potential of being subject to penalties or fines for non-compliance may increase accordingly. If we fail to comply with the applicable laws and regulations, the competent authorities may impose penalties on us. During the Track Record Period, we failed to register for and/or make full contributions to social insurance and housing provident funds for some of our employees as required by the PRC laws and regulations. For details of the legal consequences and the remedies and rectification measures undertaken by us, please refer to “Business – Legal proceedings and compliance” in this prospectus. The laws and regulations applicable to our business, whether national, provincial or local, may also evolve in ways that substantially increase our costs of compliance, and any non-compliance could result in significant financial penalties, which could have a material adverse effect on our business, results of operations and financial position.

If we fail to protect our intellectual property rights, our business, results of operations and financial positions would be adversely affected.

We consider our intellectual property rights crucial to our brand image and essential for our future business growth. The success of our business depends substantially upon our continued ability to utilise our brand, trade name and trademarks to enhance our brand recognition and reputation, as well as the expanded use of our mobile application Hongkunhui* 鴻坤薈 in the provisions of our property management services and value-added services. The unauthorised reproduction of our trade name or trademarks could diminish the value of our brand, our market reputation and competitive advantages. We rely on a combination of trademarks and copyright laws to protect our intellectual property rights. Nevertheless, these may afford limited protection and preventing 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 evolving, and could involve substantial risks to us. If we are unable to detect unauthorised use of, or take appropriate steps to enforce our intellectual property rights in a timely manner, or at all, it could have a material adverse effect on our reputation, business, results of operations and financial position.

RISK FACTORS

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

Taking into account cash and cash equivalents on hand, our operating cash flows, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We cannot assure you that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to (i) our future financial position, results of operations and cash flows; (ii) general market conditions for capital raising and debt financing activities; and (iii) economic, political and other conditions in the PRC and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Fulfilling such debt obligations could also be burdensome to our operations. If we fail to fulfil such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial position could be adversely affected.

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

We believe our insurance coverage is in line with the industry practice in the PRC and we did not experience any material insurance claims in relation to our business during the Track Record Period and up to the Latest Practicable Date. For more details of our insurance policies, please refer to “Business – Insurance” in this prospectus. In addition, we typically require our subcontractors to purchase accident insurance policies for their employees or to otherwise be responsible for all injuries suffered by their employees when they work at our managed properties. However, our insurance coverage may not adequately protect us against all potential claims, damages and liabilities that we may incur in the course of our business operations, which may result in a material adverse effect on our business. Moreover, according to the CIC Report, there are certain types of losses or liabilities for which there are no insurance policies in the PRC available at commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, results of operations and financial position.

RISK FACTORS

We are required to adhere to national health and safety standards, and if we fail to meet these standards, our business, results of operations, financial position and brand image would be negatively affected.

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

We may be involved in legal or other proceedings arising out of our operations and may face significant liabilities as a result.

We may be involved in disputes with and subject to claims from, among others, the property owners, residents or guests of our managed properties. For example, property owners or residents of our managed properties may take legal action against us if they believe that our services are below the standards set forth in the relevant property management service agreements. Furthermore, we may be involved in disputes with and subject to claims by other parties associated with our business operations, such as our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages at the premises of our managed properties. Such disputes and claims may lead to legal or other proceedings or result in negative publicity against us.

We may also incur substantial costs and have to divert management's attention and other resources from our business operations to defend ourselves in such proceedings. Any such disputes, claims or proceedings may have a material adverse effect on our reputation, business, results of operations and financial position.

RISKS RELATING TO OUR INDUSTRY

The property management industry in the PRC is very competitive with numerous competitors and we may not be able to compete successfully against our competitors.

According to the CIC Report, the property management industry in the PRC is very competitive and fragmented, with over 100,000 companies operating in the industry as at 31 December 2018. For details of the competitive landscape of the industry, please refer to "Industry overview – Competition" in this prospectus. We compete with other property management companies in the PRC, especially the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業), with respect to a wide range of aspects including, among other things, service quality, scale of operations, brand reputation and sustainable capital inputs. Competition in our industry may further intensify when there is an increasing number of new entrants to the market or when our competitors diversify their product offerings to capture emerging business opportunities. When compared to us, our competitors may enjoy competitive advantages in terms of longer operating histories, stronger business relationships with customers, suppliers and subcontractors, greater financial, technical and other resources and broader geographic coverage in the PRC. As a result, these property management companies may be better positioned to develop, expand and promote their business and services.

RISK FACTORS

There is no assurance that we will be able to continue to compete effectively or maintain or improve our market position amid keen competition in the market. Any inability to successfully compete with other property management companies in the PRC may hinder our potential to grow our revenue, profitability as well as market share, which could have a material adverse effect on our business, results of operations and financial condition.

We are susceptible to the regulatory developments and market trends in the property management industry in the PRC.

We seek to ensure that our business operations are in compliance with the regulatory regime of the property management industry in the PRC. From time to time, the PRC government promulgates new laws and regulations relating to the property management industry. For instance, in December 2014, the NDRC issued the Circular of the NDRC on the Opinions on Decontrolling the Prices of Some Services (國家發展和改革委員會關於放開部分服務價格意見的通知) (發改價格[2014]2755號) (the “Circular”), which requires the relevant provincial-level authorities to abolish all pricing control or guidance policies on residential properties save for affordable housing and preliminary property management service contracts. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts remain subject to pricing guidance imposed by the PRC government. Please refer to “Regulatory overview – Charging of property management enterprises” in this prospectus for further details.

We expect the pricing controls on residential properties to relax over time pursuant to the Circular. Nevertheless, our property management fees will continue to be subject to pricing control until local regulations implementing the Circular become effective. Pricing policies may have a negative impact on our profitability since such restrictions may limit the level of fees we can charge for our property management services. Should we experience an increase in our operating costs and expenses but we are unable to raise the level of our property management fees sufficiently to pass any increase in costs to our customers, we may suffer diminished or even negative profit margin, which could in turn materially and adversely affect our financial performance.

The PRC government may promulgate new laws and regulations relating to other aspects of the property management industry. To the extent that these regulatory changes increase our compliance and operational costs, we may experience a material adverse impact on our business, results of operations and financial position.

We are susceptible to the regulatory developments and market trends in the real estate industry in the PRC.

As a property management service provider, our operations and performance depend, to a large extent, on the scope of our property management portfolio and the amount of total GFA under our management, which in turn are affected by the developments and trends in the PRC real estate industry. The PRC government may from time to time promulgate new policies, laws and regulations relating to the real estate industry, which would likely to affect the growth potential of our property management services. For more details of the laws and regulations that are applicable to our business and services, please refer to “Regulatory overview” in this prospectus.

RISK FACTORS

The PRC government has implemented a series of measures to control the economic growth in recent years. In particular, the PRC government has introduced various restrictive measures to deter speculative activities in the real estate market, such as imposing controls over the land supply for property development, foreign exchange controls, restrictions against financing for property developments, additional taxes and levies on property sales and foreign investments in the PRC real estate market. Through these policies and measures, the PRC government may restrict or reduce property development activities, limit the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such measure and/or restriction may cause disruptions to the overall development of the PRC real estate market, thus limiting the growth potential for our property management services, which may in turn result in a material adverse effect on our business, results of operations and financial position.

We require various government approvals and licences for our operations, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.

We are required to obtain and maintain certain approvals, licences, permits and certificates in order to provide our property management services in the PRC. We may encounter material delays or difficulties in fulfilling the necessary requirements to obtain or renew all necessary approvals, licences and/or permits for our operations in a timely manner, or at all. We need to renew these approvals, licences and/or permits before they expire in order to ensure that we comply with the relevant regulatory requirements so that we can conduct our operations without any disruption. We also cannot guarantee that we will be able to timely adapt to new rules and regulations that may come into effect from time to time with respect to our services. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals, licences and/or permits, we may not be able to continue our development plans, and our business, results of operations and financial condition may be adversely affected.

Our business operations may be affected by the outbreak of COVID-19 originated from Wuhan city, Hubei province, China.

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first emerged in Wuhan city, Hubei province, China in late 2019 and which continues to expand within the PRC and globally. The new strain of COVID-19 is considered highly contagious and may pose a serious public health threat. On 23 January 2020, the PRC government announced the lockdown of Wuhan city in an attempt to quarantine the city. Since then, draconian measures including travel restrictions had been imposed in other major cities in the PRC in an effort to contain the COVID-19 outbreak. The World Health Organization (“WHO”) is closely monitoring and evaluating the situation. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). As at the Latest Practicable Date, the virus had spread across China and to over 30 countries and territories globally with most deaths in Hubei province, and death toll and number of infected cases continued to rise. The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC, particularly Wuhan city and Hubei province. The property market in the PRC, particularly Wuhan city and Hubei province, may be adversely impacted. The outlook of the property market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the property management market and our business operation and financial condition may be adversely affected. We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict if the impact will be short-lived or long-lasting. If the outbreak of COVID-19 is not effectively controlled in a short period of time, our business operations and financial condition may be materially and adversely affected as a result of the changes in the outlook of the property market, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

RISK FACTORS

We are subject to risks beyond our control relating to epidemics, acts of terrorism, wars and other disasters in the PRC and globally.

Natural disasters, epidemics, acts of terrorism, wars or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in markets where we have, or plan to have, business operations. Some of these markets are situated in geographic regions of China that are affected by or susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as coronavirus, Ebola, severe acute respiratory syndrome (SARS), strains of avian influenza, the human swine influenza A (H1N1), the human swine influenza A (H5N1) and the human swine influenza A (H7N9). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disruptions to our business operations. Severe communicable disease outbreaks could result in widespread health crises that materially and adversely affect economic systems and financial markets. Acts of terrorism or wars may also injure our employees, cause loss of life, disrupt our business operations and adversely affect the financial well-being of our customers. Any of these and other factors beyond our control may create uncertainties within the overall business environment in the PRC and globally, thereby causing our business to suffer in ways that we cannot predict and may materially and adversely impact our business, results of operations and financial position.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are susceptible to adverse changes in economic, political and social conditions and government policies in the PRC.

All of our business operations are and all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations, financial position and prospects are, to a significant degree, subject to the economic, political, social and legal developments in the PRC. The economy of China differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, investment control, growth rate and control over foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transitioning to become a more market-oriented economy with socialist characteristics.

For approximately four decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may also lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in the PRC may have a material impact on our operations or may adversely affect our financial position and results of operations.

RISK FACTORS

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy believed to be overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect our business, results of operations and financial position if they reduce demand for our services.

Uncertainties with respect to the PRC legal system could materially and adversely affect us and may limit the legal protection available to you.

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

However, many of these laws and regulations are relatively new. There may be a limited volume of published decisions and their implementation and interpretation may involve uncertainties, which may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. All of our revenue is denominated in Renminbi. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

RISK FACTORS

Under the current foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign currencies may restrict our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC government and changes in international and domestic political and economic conditions. From 1995 to 20 July 2005, the conversion of the Renminbi into foreign currencies was based on fixed rates set by the PBOC. However, effective from 21 July 2005, the PRC government decided to permit the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 30 November 2015, the Executive Board of the International Monetary Fund completed a regular five-year review of the basket of currencies that make up the Special Drawing Right and determined that, effective from 1 October 2016, the Renminbi will be included in the Special Drawing Right basket as a fifth currency along with the U.S. dollar, the Euro, the Japanese yen and the British pound. It is difficult to predict how market forces and the PRC government's policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalisation, the PRC government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

All of our revenue, liabilities and assets are denominated in Renminbi, while our proceeds from the Global Offering will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting Global Offering proceeds or proceeds from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

RISK FACTORS

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

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

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in the PRC.

Our Company was incorporated in the Cayman Islands. All of our assets are located and most of our executive Directors and senior management are based in the PRC. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside China upon us or most of our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of a court judgment obtained in other jurisdictions may be difficult or impossible.

On 14 July 2006, the Supreme People's Court of the PRC and the government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2006 Arrangement**”). Pursuant to the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for “enforceable final judgement”, “specific legal relationship” and “written form”. A final judgement that does not comply with the 2006 Arrangement may not be recognised and enforced in a PRC court.

RISK FACTORS

On 18 January 2019, the Supreme People's Court of the PRC and the government of Hong Kong entered into 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**”). Pursuant to the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may be uncertain. There is no guarantee that an effective judgment that complies with the 2019 Arrangement can be recognised and enforced in a PRC court.

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

Pursuant to the EIT Law, which came into effect on 1 January 2008 and was amended on 24 February 2017, an enterprise established outside China whose “de facto management body” is located in the PRC is considered a “PRC resident enterprise” and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organisational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

SAT released the Notice of SAT on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (the “**Circular 82**”) on 22 April 2009 (which was amended on 29 December 2017) setting out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under the Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, the Circular 82 also requires that the determination of “de facto management body” shall be based on the principle that substance is more important than form. Further to the Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行)) (the “**Bulletin 45**”), which took effect on 1 September 2011 and amended on 1 June 2015, 28 June 2016 and 15 June 2018 to provide more guidance on the implementation of the Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises”. The Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although the Circular 82 and the Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, the Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. All members of our senior management are currently based in the PRC. If we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

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You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares under PRC law.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realised on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct all of our business operations in the PRC, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income from sources within the PRC and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on the ability of our PRC subsidiaries to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

SAFE promulgated the Notice of SAFE On Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through 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 “**Circular 37**”) in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to the Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle (“**SPV**”), directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is change to the basic information or important matters of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident’s increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of

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the SPV. In accordance with the Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), 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. Under this regulation, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of the Circular 37. Moreover, there is no assurance that the PRC government will not have a different interpretation of the requirements of the Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in the PRC.

A number of PRC laws and regulations, including the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定), the Anti-Monopoly Law (反壟斷法), and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (the “**Security Review Rules**”), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in the PRC more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in the PRC, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licences, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, results of operations and financial position. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security

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review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

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

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation. In response, the PRC government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. There is no assurance that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may experience reduced demand for our services.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Prior to the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among Huatai Financial (for itself and on behalf of the Underwriters) and our Company, and may not be indicative of prices that will prevail in the trading market following the Global Offering. We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that (i) an active trading market for our Shares will develop; (ii) if such a trading market does develop, it will be sustained following the completion of the Global Offering; or (iii) the market price of our Shares will not decline below the Offer Price.

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

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

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our results of operations and/or financial performance;
- changes in investors' perception of us and the general investment environment;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;

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- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the property management industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

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

There will be a time gap between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when the trading commences.

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

Potential investors will experience immediate dilution as a result of the Global Offering and may experience further dilution as a result of future equity financings.

The Offer Price will substantially exceed the per Share value of our tangible assets after subtracting our total liabilities, and potential investors will therefore experience immediate dilution when they purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We may need to raise additional funds in the future to finance further expansions or new developments or for other purposes. If additional funds are raised through the issuance of new equities or equity-linked securities of our Company other than a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by our Shares. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

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We cannot guarantee whether, when and in what form we will declare and pay dividends on our Shares in the future.

The declaration of dividends is proposed by our Board of Directors and subject to the applicable laws and regulations and our Shareholders' approval. The amount of any dividend to be declared and paid in the future will depend on, among other things, our results of operations, working capital, cash flows, future operations, profitability, surplus and capital requirements, as well as our general financial position and any other factors which our Board of Directors may consider to be relevant. We declared and paid dividends of nil, RMB46.0 million, nil and RMB35.5 million during the Track Record Period, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not declare and pay any dividend to the then shareholders. For more details of our dividends, please refer to "Financial information – Dividends and distributable reserve" in this prospectus. Our historical dividend distributions should not be taken as indicative of our Company's future dividend distribution policy.

We have discretion as to how we will utilise the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways that you may not agree with or that do not yield a favourable return. We plan to utilise the net proceeds from the Global Offering for (i) the expansion of our geographic presence and scale of operations in the PRC; (ii) the development and enhancement of our information system and technological initiatives; (iii) the expansion of our value-added services; (iv) staff development; and (v) general working capital. For details of our intended use of proceeds, please refer to "Future plans and use of proceeds" in this prospectus. Our management will have discretion as to the actual application of our net proceeds from the Global Offering. By investing in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

Our Controlling Shareholders may exert substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the Global Offering.

Immediately upon completion of the Global Offering, our Controlling Shareholders will together control approximately 59.45% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant control and influence over all matters requiring Shareholders' approval, including the election of Directors and significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership may, as a result, discourage, delay or prevent a change in control of our Company that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may differ from the interests of our Company or other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our Company or other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders may be disadvantaged or harmed as a result.

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Sales, or perceived sales, of a substantial number of our Shares in the public market could adversely affect the market price of our Shares.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other related securities in the public market, or the issuance of new Shares or other related securities, or the perception that such sales or issuance may occur. We cannot assure that our major Shareholders will not dispose of their shareholdings. Any significant disposal of our Shares by any of our major Shareholders may materially affect the prevailing market price of our Shares.

The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in “Underwriting” in this prospectus. These Shareholders may dispose of Shares that they may own now or in the future. Sales of a substantial number of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Investors may face difficulties in enforcing their shareholders’ rights because our Company was incorporated in the Cayman Islands, and the protection to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company was incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands company law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Islands company law on protection of minority shareholders is set out in “3. Cayman Islands company law” in Appendix IV to this prospectus.

We may make a Downward Offer Price Adjustment, and thereby reduce the amount of estimated net proceeds that we will receive from the Global Offering.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 5% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$1.25 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$1.25, the estimated net proceeds that we will receive from the Global Offering will be reduced to HK\$79.0 million, assuming that the Over-allotment Option is not exercised and that such reduced proceeds will be used as described in “Future plans and use of proceeds – Use of proceeds” in this prospectus.

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RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to China, the PRC economy and our relevant industries contained in this prospectus.

Certain facts, forecasts and statistics in this prospectus relating to China, the PRC economy and industries relevant to us have been obtained or derived from information provided or published by PRC government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of its or their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance 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, investors should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) 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 an exemption from compliance with the Companies (WUMP) Ordinance. Details of the waivers are described below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing in Hong Kong must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Our headquarters, core business and operations are based, managed and conducted in the PRC. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them, in particular, Mr. Zhao Weihao and Ms. Wu Guoqing, to remain to be based in the PRC and physically close to our operations. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company as it takes time to process the application for residency in Hong Kong. Moreover, it may not be in the best interest of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of our Board in making decisions. Our Company does not have, and does not contemplate in the foreseeable future that we would have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We would however ensure that there is an effective channel of communication between the Stock Exchange and our Company by way of the following arrangements:

- (a) **Authorised Representatives:** We have appointed Ms. Wu Guoqing, our executive Director, and Mr. Lee Ka Wai, our company secretary, as our authorised representatives (the "**Authorised Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal communication channel at all times between the Stock Exchange and our Company. Although Ms. Wu Guoqing resides in the PRC, she possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Mr. Lee Ka Wai resides in Hong Kong. The Authorised Representatives will also provide their usual contact details, and each of the Authorised Representatives has confirmed that he/she will be readily contactable by the Stock Exchange and will be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time frame upon request of the Stock Exchange;
- (b) **Directors:** When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication among the Stock Exchange, our Authorised Representatives and our Directors, we have implemented the following measures: (i) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the Authorised Representatives; (ii) in the event that a Director expects to travel or otherwise be out of office, he/she will provide phone number of the place of his/her accommodations or other contact

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

details to the Authorised Representatives; and (iii) we will provide the mobile number, office number, e-mail address, facsimile number and residential address of each Director to the Stock Exchange pursuant to Rule 3.20 of the Listing Rules.

We have one of our executive Directors, namely Ms. Li Yin Ping, and three independent non-executive Directors, namely Mr. Cheung Wai Hung, Mr. Chan Cheong Tat and Ms. Chen Weijie, who are ordinarily resident in Hong Kong and will act as an additional channel of communication between the Stock Exchange and us.

Each of our Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong within a reasonably short period of time. Accordingly, each of our Directors will be able to meet with the Stock Exchange within a reasonable period of time upon prior notice from the Stock Exchange;

- (c) **Compliance Adviser:** We have appointed Alliance Capital as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rule 3A.19 of the Listing Rules, who will provide us with professional advice on our continuing obligations under the Listing Rules and act as our additional channel of communication with the Stock Exchange for the 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 our financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will act as our principal channel of communication with the Stock Exchange when the Authorised Representatives are not available.

We shall ensure that the Compliance Adviser retained by us will have access at all times to our Authorised Representatives, our Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorised Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange; and

- (d) We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives under the Listing Rules and/or our compliance adviser.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers from strict compliance with the requirements set out in Chapter 14A of the Listing Rules in relation to certain continuing connected transactions between us and certain connected persons. Please refer to “Connected transactions” in this prospectus for further details.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

In preparation for the Listing, we have sought the following waiver from strict compliance with Rule 4.04(1) of the Listing Rules and exemption from compliance with the relevant provisions of the Companies (WUMP) Ordinance.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, we are required to include in this prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

In addition, section 342(1) of the Companies (WUMP) Ordinance requires us to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (WUMP) Ordinance in this prospectus.

Paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance prescribes that a statement as to the gross trading income or sales turnover of us for each of the three financial years immediately preceding the issue of the prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities, be included in the prospectus.

Paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance further prescribes that a report by the auditors of our Company with respect to (i) the profits and losses of our Group for each of the three financial years immediately preceding the issue of the prospectus; and (ii) the assets and liabilities of our Group at the last date to which the accounts of our Group were made up, be included in the prospectus.

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

The financial year of our Company ends on 31 December. The Accountants' Report set forth in Appendix I to this prospectus contains the audited consolidated results of our Group for each of the three financial years ended 31 December 2018 and the eight months ended 31 August 2019.

Pursuant to Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to produce audited accounts for the three years ended 31 December 2019. Our Company has sought a waiver from strict compliance with Rule 4.04(1) and a certificate of 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 (WUMP) Ordinance as the strict compliance with the requirements thereunder would be unduly burdensome and the waiver and exemption thereof would not prejudice the interest of the investing public for the following reasons:

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

(a) The waiver and exemption would not prejudice the interest of the investing public

The Accountants' Report set out in Appendix I to this prospectus is made up to 31 August 2019 and the profit estimate of our Group set out in Appendix III to this prospectus is made up to 31 December 2019. Our Directors have confirmed that sufficient review has been conducted to ensure that there has been no material adverse change in the financial and trading position or prospects of our Group from 31 August 2019 to the date of this prospectus and that there is no event which would materially and adversely affect the information contained in the Accountants' Report set out in Appendix I to this prospectus and the profit estimate of our Group set out in Appendix III to this prospectus. In addition, the information regarding our Group's recent development subsequent to the Track Record Period and up to the Latest Practicable Date included in this prospectus has provided the potential investors with reasonably up-to-date information in the circumstances to make an informed assessment of the business, assets and liabilities, financial position, profitability, and management and prospect of our Group.

(b) Strict compliance with the relevant requirements would be unduly burdensome

This prospectus will be issued on 28 February 2020. It would be unduly burdensome for the audited results of our Group for the financial year ended 31 December 2019 to be finalised shortly after the financial year end. If the full-year audited results for the financial year ended 31 December 2019 are to be included, there will be a significant delay in the listing timetable. It will also be unduly burdensome for our Company to produce and our Company's reporting accountants to audit our Group's financial statements for the year ended 31 December 2019 to meet the proposed listing timetable. Our Directors consider that the benefits of such work may not justify the additional work and expenses involved and the significant delay in the listing timetable, given that (i) there has been no significant change in the financial and trading position or prospects of our Group since 31 August 2019, being the last day of the period reported on by our Company's reporting accountants; and (ii) this prospectus has included a profit estimate of our Group for the year ended 31 December 2019 (which would comply with Rule 11.17, Rule 11.18 and Rule 11.19 of the Listing Rules).

(c) No material adverse change

Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence work to ensure that since 31 August 2019: (i) there has been no material adverse change in the financial and trading position or prospect of our Group from 31 August 2019 to the date of this prospectus; and (ii) there has been no event that would materially and adversely affect the information contained in the Accountants' Report set out in Appendix I to this prospectus and the profit estimate of our Group set out in Appendix III to this prospectus.

Accordingly, an application has been made to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the following conditions:

- (i) the prospectus will be issued on or before 29 February 2020 and the Shares will be listed on the Stock Exchange on or before 31 March 2020 (i.e. within three months after the latest financial year-end);

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

- (ii) our Company obtains a certificate of exemption from the SFC 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 (WUMP) Ordinance;
- (iii) this prospectus includes the profit estimate of our Group for the year ended 31 December 2019 which complies with Rules 11.17 to 11.19 of the Listing Rules;
- (iv) this prospectus includes a Directors' statement that after performing all due diligence work which they consider appropriate, save for the effect of our listing expenses, there is no material adverse change to our Group's financial and trading positions or prospects with specific reference to the trading results from 31 August 2019 and up to 31 December 2019; and
- (v) our Company will publish the preliminary results announcement for the financial year ended 31 December 2019 by not later than 31 March 2020 and the annual report for the financial year ended 31 December 2019 by not later than 30 April 2020, respectively, in compliance with Rules 13.49 and 13.46 of the Listing Rules.

Further, an application has been made to the SFC for an exemption, and the SFC has granted a certificate of exemption, 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 (WUMP) Ordinance on the following conditions:

- (i) the prospectus will be issued on or before 29 February 2020 and the Shares will be listed on the Stock Exchange on or before 31 March 2020, i.e. three months after the latest financial year-end; and
- (ii) particulars of the exemption are set out in the prospectus.

Our Directors confirmed that all information necessary for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, profitability, and management and prospect of our Group has been included in this prospectus. After performing all due diligence work, save for the effect of our listing expenses, our Directors and the Sole Sponsor confirmed that there has been no material adverse change in the financial and trading position or prospect of our Group since 31 August 2019 and up to the date of this prospectus. There has been no event since 31 August 2019 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the profit estimate as set out in Appendix III to this prospectus, and "Financial information" in this prospectus and other parts of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THE GLOBAL OFFERING

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the related Application Forms set out the terms and conditions of the Public Offer. The Global Offering comprises the Public Offer of initially 10,000,000 Public Offer Shares and the Placing of initially 90,000,000 Placing Shares (subject, in each case, to reallocation on the basis described in “Structure of the Global Offering” in this prospectus).

The Global Offering is sponsored by the Sole Sponsor, namely Alliance Capital. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to agreement on the Offer Price between Huatai Financial (on behalf of the Underwriters) and our Company on the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. Please refer to “Underwriting” in this prospectus for further details of the Underwriters and the underwriting arrangements.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by agreement between Huatai Financial (on behalf of the Underwriters) and our Company on the Price Determination Date.

If, for whatever reason, Huatai Financial (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 9 March 2020, the Global Offering will not become unconditional and will lapse immediately.

The indicative Offer Price range is from HK\$1.32 to HK\$1.58.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 5% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm 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 any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Public Offer to give any information, or to make any representation, not contained in this prospectus and the related Application Forms, and any information or representation not contained in this prospectus and the related Application Forms must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

Each person acquiring the Offer Shares in the Global Offering will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding or disposing of and dealing in our Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasise that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase the newly issued securities in the secondary market during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining 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 commencement of trading in the Shares of our Company on the Stock Exchange. Such transactions will be effected in compliance with all applicable laws, rules and regulations in place in Hong Kong. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time during the stabilising period, which will begin on the day on which trading of our Shares commences on the Stock Exchange and end on the 30th day from the last day for lodging applications under the Public Offer. As a result, demand for our Shares, and their market price, may fall after the end of the stabilising period.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation of shares for the purpose of preventing or minimising any reduction in the market price of shares; (ii) selling or agreeing to sell shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of shares; (iii) subscribing, or agreeing to subscribe, for shares pursuant to an option or other right in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, shares pursuant to an option or other right in order to close out any positions established under (i) or (ii) above; (v) selling shares to liquidate a long position established; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 15,000,000 Shares, which is 15% of the new Shares of our Company initially available under the Global Offering.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position are at the discretion of the Stabilising Manager and are uncertain. Investors should be warned that, in the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to decline in the market price of our Shares.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of the Shares by the Stabilising Manager, or any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Stabilising Manager may require our Company to allot and issue up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilising Manager may borrow up to 15,000,000 Shares from Ascendor Futur (equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option), under the Stock Borrowing Agreement.

The terms of the Stock Borrowing Agreement will be in compliance with the requirements set out in Rule 10.07(3) of the Listing Rules and will therefore not be subject to restrictions under Rule 10.07(1)(a) of the Listing Rules. The principal terms of the Stock Borrowing Agreement are set out below:

- the stock borrowing arrangement will only be effected by the Stabilising Manager (or its affiliates) for settlement of over-allocations in connection with the Placing;
- the maximum number of Shares to be borrowed by the Stabilising Manager (or its affiliates) from Ascendor Futur will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- the same number of Shares so borrowed will be returned to Ascendor Futur not later than the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between the parties;
- the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and
- no payments will be made to Ascendor Futur in relation to the stock borrowing arrangement.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY IN HONG KONG

All Shares issued pursuant to applications made in the Global Offering will be registered in our Company's branch register of members to be maintained in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty.

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedure for the Public Offer Shares is set out in "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Certain amounts denominated in RMB have been translated into HK\$ and vice versa at an exchange rate of RMB1:HK\$1.0964, for illustration purposes only. Such conversions shall not be constructed as representations that amounts in HK\$ or RMB were or may have been converted into those currencies and vice versa at such rate or any other exchange rates.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Zhao Weihao (趙偉豪)	Room 601, Building no. 1 No. 7 Diaoyutai, No. 2 South Street Fucheng Road, Haidian District Beijing, PRC	Chinese
Ms. Wu Guoqing (吳國卿)	No. 105, Building no. 5 Xi Yuan, Heping Street Chaoyang District Beijing, PRC	Chinese
Ms. Li Yin Ping (李燕萍)	Flat A, 32/F, Block T7 Residence Bel-Air 28 Bel-Air Avenue Cyber Port, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chan Cheong Tat (陳昌達)	Flat A, 7/F Block 3, City Garden 233 Electric Road North Point, Hong Kong	Chinese
Mr. Cheung Wai Hung (張偉雄)	Flat B, 5/F Billion Court 63 Wuhu Street Hung Hom Kowloon, Hong Kong	Chinese
Ms. Chen Weijie (陳維洁)	Flat C, 10/F, Block 7 No. 5 Fo Chun Road Providence Bay Phase 1 Tai Po New Territories, Hong Kong	Chinese

For details of our Directors and senior management, please refer to “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Alliance Capital Partners Limited

Room 1502 – 03A, 15/F Wing On House
71 Des Voeux Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

Joint Global Coordinators

Huatai Financial Holdings (Hong Kong) Limited

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

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

Haitong International Securities Company Limited

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

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO

Alliance Capital Partners Limited

Room 1502-03A, 15/F Wing On House
71 Des Voeux Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Tonghai Securities Limited

18/F-19/F China Building
29 Queen's Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

**Joint Bookrunners and
Joint Lead Managers**

Huatai Financial Holdings (Hong Kong) Limited

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

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

Haitong International Securities Company Limited

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

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO

Alliance Capital Partners Limited

Room 1502 – 03A, 15/F Wing On House
71 Des Voeux Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Tonghai Securities Limited

18/F-19/F China Building
29 Queen's Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

CMB International Capital Limited

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

(Licensed corporation to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO)

AMTD Global Markets Limited

23/F – 25/F Nexxus Building
41 Connaught Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

China Everbright Securities (HK) Limited

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

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

Futu Securities International (Hong Kong) Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), 7 (providing automated trading services) and 9 (asset management) regulated activities under the SFO

Glory Sun Securities Limited

Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

Realord Asia Pacific Securities Limited

Suite 2402 24/F Jardine House
1 Connaught Place, Central
Hong Kong

Licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity under the SFO

Joint Lead Managers

Alpha International Securities (HONG KONG) Limited

Unit 2301, 23/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 2 (dealing in futures contracts) and 4 (advising on securities) regulated activities under the SFO

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CRIC Securities Company Limited

Room 2007 & 2403, Great Eagle Centre
23 Harbour Road, Wan Chai
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities under the SFO

Maxa Capital Limited

Flat 08, 19/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Licensed corporation under the SFO to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

Legal advisers to our Company

As to Hong Kong law:

Fairbairn Catley Low & Kong

23/F Shui On Centre
6 – 8 Harbour Road
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing
PRC

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisers to the Sole Sponsor,
the Joint Global Coordinators, the
Joint Bookrunners and the Joint Lead
Managers and the Underwriters**

As to Hong Kong law:

MinterEllison LLP

Level 32

Wu Chung House

213 Queen's Road East

Hong Kong

As to PRC law:

Commerce & Finance Law Offices

6F NCI Tower, A12 Jianguomenwai Avenue

Chaoyang District

Beijing

PRC

Auditor and reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F One Pacific Place

88 Queensway

Hong Kong

Industry consultant

China Insights Industry Consultancy Limited

10/F, Block B, Jingan International Center

88 Puji Road

Jingan District

Shanghai

PRC

Compliance adviser

Alliance Capital Partners Limited

Room 1502 – 03A, 15/F Wing On House

71 Des Voeux Road Central

Hong Kong

*Licensed corporation under the SFO to carry out types 1
(dealing in securities) and 6 (advising on corporate
finance) regulated activities under the SFO)*

Receiving bank

**Industrial and Commercial Bank of China (Asia)
Limited**

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in the PRC	Room 108, No. 45 Xinrong North Street Xihongmen, Daxing District Beijing, PRC
Principal place of business in Hong Kong	Unit 612, 6/F CC Wu Building, 302-8 Hennessy Road Wan Chai, Hong Kong
Company's website	www.hongkunwuye.com <i>(The contents on this website do not form part of this prospectus)</i>
Company secretary	Mr. Lee Ka Wai (李嘉威) <i>(Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants)</i> Flat B, 3/F Block 3, Cronin Garden Sham Shui Po Kowloon, Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Ms. Wu Guoqing (吳國卿) No. 105, Building no. 5 Xi Yuan, Heping Street Chaoyang District Beijing, PRC Mr. Lee Ka Wai (李嘉威) Flat B, 3/F Block 3, Cronin Garden Sham Shui Po Kowloon, Hong Kong
Audit Committee	Mr. Chan Cheong Tat (陳昌達) (<i>chairman</i>) Mr. Cheung Wai Hung (張偉雄) Ms. Chen Weijie (陳維潔)
Remuneration Committee	Ms. Chen Weijie (陳維潔) (<i>chairman</i>) Mr. Cheung Wai Hung (張偉雄) Mr. Chan Cheong Tat (陳昌達)

CORPORATE INFORMATION

Nomination Committee	Mr. Cheung Wai Hung (張偉雄) (<i>chairman</i>) Mr. Chan Cheong Tat (陳昌達) Ms. Chen Weijie (陳維潔)
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	China Construction Bank – Beijing Xihongmen Branch 20 Xinrong North Street Xihongmen Town Daxing district Beijing PRC China Minsheng Bank – Beijing Daxing Branch 156 Kangzhuang Road Daxing district Beijing PRC Bank of Communications – Baoding Zhuozhou Branch 295 Fanyangzhong Road, Zhuozhou City Hebei province PRC China Construction Bank – Xianghe Branch 18 Fuqian Street Xianghe county Hebei province PRC

CORPORATE INFORMATION

Industrial and Commercial Bank of China
– Sanya Branch
743 Jiefang Road
Sanya City
Hainan province
PRC

Industrial and Commercial Bank of China
– Dongfang Branch
Donghai Road
Basuo Town
Dongfang City
Hainan province
PRC

INDUSTRY OVERVIEW

The information presented in this section is, including certain facts, statistics and data, derived from the CIC Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (other than CIC) and no representation is given as to its accuracy, completeness or fairness (other than CIC). The information and statistics may not be consistent with other information and statistics compiled within or outside of China. As a result, excessive reliance on the information contained in this section shall be avoided.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on property management market in the PRC for the period from 2014 to 2023. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is RMB430,000, which we believe reflects the market rate for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting services across multiple industries. CIC's services include industry consulting services, commercial due diligence and strategic consulting.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysis of market data obtained from several publicly available data sources, such as releases from the Governments of the research countries, company reports, independent research reports and CIC's own internal database. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for accuracy. On the basis of the aforementioned, we consider the data and statistics to be reliable.

ASSUMPTIONS

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in the PRC is expected to remain stable during the forecast period; (ii) the economy of the relevant markets is likely to maintain a steady growth trajectory during the forecast period; (iii) related key industry drivers are likely to propel continued growth of the property management industry throughout the forecast period, including the increasing demand for living and working areas with the growth of urban population and per capita housing area, the continuous investments in the PRC's real estate market, and the diversification of value-added services and rising management fee; and (iv) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

The CIC Report mainly focuses on the market of property management in the PRC, the main jurisdiction in which our businesses are located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

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OVERVIEW OF THE PROPERTY MANAGEMENT INDUSTRY IN THE PRC

Definition and classification of property management

Property management is the operation, control, and oversight of various types of properties, including residential buildings, commercial spaces and office buildings, as well as public and other types of properties. The specific services that property management companies offer include traditional property management services (e.g. security, cleaning, gardening, etc.) and value-added services (e.g. community value-added services to property owners, early-stage involvement to property developers, etc.). Property management companies in the PRC are normally divided into SOE-related entities (State-Owned Enterprises) and non-SOE-related based on their backgrounds and nature of their parent companies. Non-SOE-related entities can be further divided into developer-affiliated and independent third-party companies. “Non-SOE-related entities” refer to entities that are not SOE and entities that are owned, whether directly or indirectly, by SOE by less than 30%, and “developer-affiliated property management companies” refer to property management companies that are affiliated to property developers. Developer-affiliated enterprises have the largest growth potential as their resources are assured by their parent developers. Non-SOE-related developers have been the mainstream type of developer in the current real estate industry.

Market size and forecast for property management market in the PRC

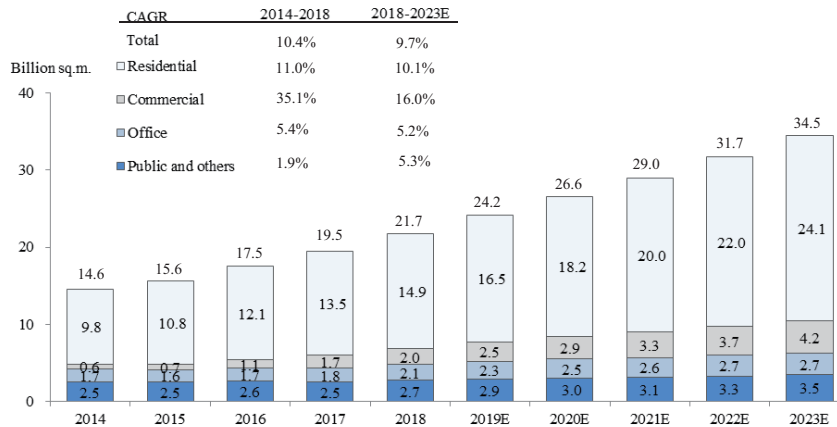
From 2014 to 2018, the market size of the property management industry (in terms of the total GFA of properties under management) in the PRC increased from 14.6 billion sq.m. to 21.7 billion sq.m., representing a CAGR of 10.4% during the period.

With its contribution of approximately 70% in 2018 in terms of GFA under management, residential properties had the largest proportion among the industry segments. As the property management penetration of newly delivered commodity residential houses has already reached 100%, the growth of residential property management can mainly be attributed to the new demand for housing and replacement needs. With the continuously rising urbanisation rate and living area per capita, the residential segment is expected to grow further in the near future. As for commercial properties, most tier-1 and tier-2 cities in the PRC have experienced a transition from traditional retail and department stores to larger-scale shopping centres due to the improving personal income levels and higher aspirational requirements of consumers. This transition is expected to spread to lower-tier cities in following years, which will drive further growth of property management for the commercial property segment. With the restructuring of the three major industries in the PRC as well as the continuously rising number of graduates holding bachelor’s and master’s degrees, office buildings have gradually become the primary working place for Chinese people. The office property segment of the property management industry is expected to increase moderately in the future. With the continuous urbanisation of China, a growing volume of public properties such as government buildings, characteristic towns, airports, and various types of stadiums are expected to be built, which will boost the public and others segment of the property management industry.

In the next five years, the total GFA of properties under management in the PRC is expected to increase from 21.7 billion sq.m. in 2018 to 34.5 billion sq.m. in 2023, representing a CAGR of 9.7%.

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Total GFA of properties under management, China, 2014-2023E



Note: Total GFA of properties under management refers to properties that have been delivered to property owners.

Source: CIC

Outbreak of COVID-19 originated from Wuhan city, Hubei province, China and its impact on the PRC's property and property management markets

The outbreak of COVID-19, which was first emerged in Wuhan city, Hubei province, China, has brought major impacts to China's macro economy and certain industries such as tourism, public transportation, and catering during the Lunar New Year period in January 2020. However, the outbreak of COVID-19 is expected to bring limited impacts to China's property management industry in the long run due to the following reasons: (i) the size of the existing property management market will unlikely be affected, as the current GFA under management and the property management fee rates will not be affected by the COVID-19 outbreak; (ii) the property construction and sales activities will be delayed due to the extension of the Lunar New Year holiday, however according to the notices announced by the State Council and the local PRC governments, the Lunar New Year holiday was only extended to 10 February 2020 and the property construction and sales activities have been gradually resumed thereafter; and (iii) the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run in Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city, and thus after the COVID-19 outbreak is effectively controlled, the outlook for the demand of residential and commercial properties and related property management services in these cities will remain positive.

Drivers of the property management market in the PRC

- (i) **Increasing demand for living and working areas with the growth of the urban population and per capita housing area:** The property management industry is primarily driven by two factors from the demand side: 1) the newly-migrating population to urban areas, which is expected to bring demand for residences and job positions, as well as stimulate the local purchasing power; 2) housing replacement needs from the existing urban population. The urbanisation rate of China has been steadily increasing from approximately 54.8% in 2014 to approximately 59.6% in 2018. According to the 13th Five-Year Plan of China, the urbanisation rate is targeted to reach 60% by 2020; this rate, however, is still around 15% lower than developed countries. Thus the urbanisation rate and urban population of China are expected to continue increasing in the future. In the meantime, the per capita urban housing area in the PRC has also experienced a steady growth since 2014, reaching 37.5 sq.m. per person in 2018. Considering the development of China's lower-tier cities and the improving income levels of people nationwide, the per capita urban housing area is expected to reach 39.4 sq.m. per person by 2023. The increase of China's urban population and per

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capita housing area is expected to further stimulate the demand for property management services, which will result in increases to the GFA under management and revenue of the property management industry.

- (ii) **The continuous investments in the PRC's real estate market:** China's real estate industry has been growing steadily in recent years, as demonstrated by the fact that the investment value of real estate development has increased at a CAGR of 6.1% between 2014 and 2018. The residential real estate segment, which accounts for a major proportion of China's overall real estate investment, has grown at a relatively high CAGR compared to the industry average over the past five years. From a regional perspective, the Eastern region has been the most significant regarding real estate investment. The Eastern region includes China's major political and economic centres, such as the Beijing-Tianjin-Hebei Region, Yangtze River Delta, and Pearl River Delta, and as a result, the proportion of real estate investment from the Eastern region accounted for over 50% of the national investment total in 2018. Additionally, investment from this region has the highest growth rate among all regions in the PRC. Real estate market investment growth is expected to continue in the next few years, and since the penetration rate of property management in newly developed properties has already reached 100%, the investment-driven market growth is expected to increase the demand for corresponding property management services. The residential and Eastern region segments are expected to continue their relatively high growth rate compared to the industry average.
- (iii) **Diversification of value-added services and rising management fees:** With the aim of improving service quality and, as well as enhancing revenue streams, property management companies currently tend to provide more diversified community value-added services for property owners and residents, and such services include house leasing, community education, community elderly caring, etc. From 2015 to 2018, the contribution of value-added services among the total revenue for Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) improved from approximately 16.5% to 19.5%. Value-added services are less labour-intensive as most property management companies exploit value-added services by being an agent or a platform to connect residents and service providers. Thus the net profit margin of value-added services of 20% is 15 percentage point higher than traditional services of 5%, which indicates a better profitability of value-added services. Thus with the improving diversification and penetration of value-added services, the profitability of property management companies will also be better enhanced. On the other hand, reflecting the improving service quality and service consciousness of property management companies, the average monthly property management fee in the PRC has been experiencing an increasing trend. Specifically, the property management fee of residential properties reached RMB2.3 per sq.m. per month in 2018, compared to RMB2.1 per sq.m. per month in 2014, the property management fee of office building increased from RMB7.6 per sq.m. per month in 2014 to RMB7.8 per sq.m. per month in 2018. From 2016 to 2018, the average collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region remained relatively stable. In 2018, the overall collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region was approximately 90%. The potential growth of both value-added services and traditional property management services fee rates will further enlarge the market scale of the property management industry in the coming years.

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Future trends of the property management market in the PRC

- (i) **Use of automation technologies and outsourcing to reduce operating costs:** As the cost of labour has risen fairly considerably in recent years, reduction of operating costs has become a major task for property management companies. Automation technologies, thus, play a vital role in reducing costs. For instance, the use of automatic fault detection equipment in the community has greatly reduced labour costs by replacing repeated regular manual detection works. Additionally, outsourcing is considered as another effective tool to reduce operating costs. Through professional outsourcing companies, property management companies are able to employ workers at much lower costs, such as for cleaning and security labour.
- (ii) **The rise of community O2O services:** With the increasing variety of value-added services provided by property management companies and the rising popularity of the “smart community” concept driven by the development of the Internet of Things, developing community O2O services and related smartphone app platforms has become a new trend for the property management industry in the PRC. Through the “Internet +” concept, which integrates all kinds of services within one platform, it becomes much more convenient for property owners and residents to call for living services, and the customer acquisition cost for vertical service providers is also lowered considerably due to the large existing customer pool on these platforms.
- (iii) **Increasing merger and acquisition activities:** The property management industry in the PRC is highly fragmented. Industry consolidation through mergers and acquisitions is expected to improve the efficiency of resource utilisation and increase economies of scale in the property management industry. Many property management companies use mergers and acquisitions as tools to mitigate risks when expanding into new markets, which can help new entrants adapt quickly to local market conditions by leveraging the resources of the merged or acquired entity that had already been established in the local market.

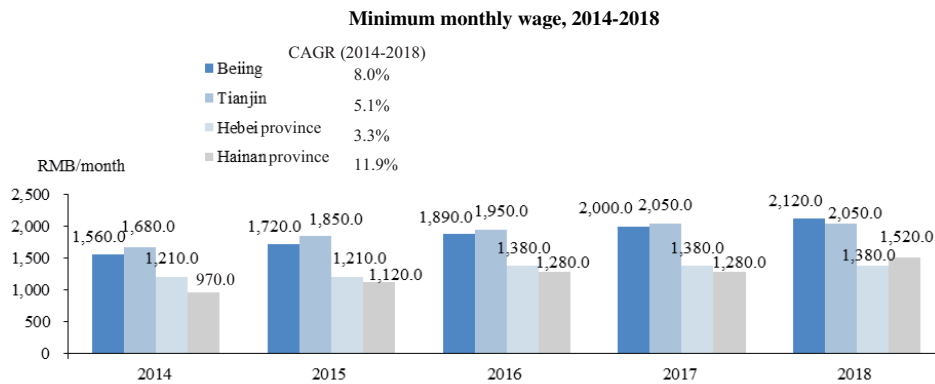
Major challenges of the property management market in the PRC

- (i) **Shortage of professional workers and inflation of labour costs:** A sufficient supply of low-cost labour is crucial for the sustainable development of the property management industry in the PRC, as this industry is a typical labour-intensive service sector. However, due to the decreasing birth rate in the last 20 years, the size of the young-generation labour force has been decreasing. Additionally, fewer young people are interested in pure labour-related works compared to the past. As a result, the shortage of professional workers in the market is becoming increasingly severe, and the labour cost in urban areas has been increasing considerably.
- (ii) **Price-restriction policies in particular cities:** With the aim of protecting and benefiting residents, provinces and cities such as Tianjin, Sichuan, and Hubei specified that the property management price for regular commodity residential properties (excluding town-houses and villas) should be set according to the government-guided prices. These price-restriction policies are mainly posted in *Property Management Ordinance 2018 Edition* (物業管理條例 (2018年3月修正版)) and local property management ordinances such as the Fundamental Service Price Setting Guidance for Regular Commodity Residential Properties (普通商品住宅小區物業管理基本服務收費指導標準) issued by Tianjin. These price restrictions, therefore, present a challenge to property management companies’ cost-reduction capabilities. Property management companies have to carefully control the balance of revenue and expenditure when providing services in these price-restricted communities.
- (iii) **Difficulty in collection of property management fees:** In some residential property projects, property owners often refuse to pay property management fees regularly to the property management company when they are unsatisfied with the services being provided. In some cases, property owners no longer live in the properties they own and consider paying the fees “unfair” to themselves. As a result, difficulty in the collection of property management fees will lead to financial pressures and risk for property management companies.

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Cost analysis for the property management market in the PRC

As a labour-intensive industry, labour cost is considered as one of the most important cost items for property management companies, with a cost contribution of nearly 60% among the total cost of services. Other cost items of property management companies include public facility maintenance cost (10%); cleaning and sanitary cost (8%); and other costs (22%). With the steady national economic development and inflation, local municipal governments in the PRC regularly review their minimum wage standards and adjust them appropriately. The minimum wage levels in Beijing, Tianjin, Hebei province and Hainan province reached RMB2,120, RMB2,050, RMB1,380 and RMB1,520 in 2018, respectively, and Beijing and Hainan province saw the highest growth rates over the past five years. Beijing and Tianjin have relatively high minimum wages compared with other municipalities.



Source: CIC

OVERVIEW OF THE PROPERTY MANAGEMENT INDUSTRIES IN BEIJING, TIANJIN AND HEBEI PROVINCE

Overview of the property management market in Beijing

From 2014 to 2018, the market size of the property management industry in Beijing increased from 453.7 million sq.m. to 530.6 million sq.m., representing a CAGR of 4.0% during the period.

Beijing has experienced a dramatic development in the past few decades in terms of massive population inflow, commercial growth and modernisation. Accordingly, the real estate industry also saw a strong growth period with the intensive completion volume and skyrocketing house prices. As a result, the land supply in core areas of Beijing has almost reached a point of stagnation, and the residential real estate industry in central Beijing is relatively saturated. In the future, residential real estate development projects will be mostly concentrated in suburbs of Beijing, which is considered a major driver for the future growth of the residential real estate and related property management markets in Beijing. 22 potential commercial properties and 10 Grade A office buildings are expected to open in Beijing in 2019. In April 2019, Beijing decided to further lower the entry barrier of foreign capital, and as a result, an increasing number of foreign enterprises are expected to migrate into Beijing in the future, which will bring demand for living and working spaces. Public and others is another promising sector in the property management industry in Beijing, due to the construction plans of sports stadiums for the 2022 Winter Olympics, Beijing Daxing International Airport (北京大興國際機場) and other public facilities.

In the next five years, the total GFA of properties under management in Beijing is expected to grow at a CAGR of 3.1%, increasing from 530.6 million sq.m. in 2018 to a projected 618.4 million sq.m. in 2023.

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Overview of the property management market in Tianjin

From 2014 to 2018, the market size of the property management industry in Tianjin increased from 293.1 million sq.m. to 402.7 million sq.m., representing a CAGR of 8.3%.

The residential segment of the property management industry in Tianjin experienced a high growth rate in the past five years, largely due to the implementation of talent introduction related policies and initiatives. In May 2018, a new set of talent introduction policies – Haihe Talent Initiatives (“海河英才”行動計劃) was issued in Tianjin, which further lowered the requirements for the talent permanent settlement in Tianjin, and further simplified the application process. As a result, an increasing number of skilled migrants are expected to settle in Tianjin, and drive up the demand for residences, office buildings, and retail facilities. In the following five years, an increasing number of shopping malls are expected to be constructed to match its rising migrant population and improving purchasing power. The vacancy rate of office properties in Tianjin reached approximately 38% in 2018, which was much higher than the average vacancy rate of 25% for tier-2 cities. This phenomenon indicates that the office property market in Tianjin will soon enter a destocking period. The public and others segment occupies a relatively large proportion in the property management industry in Tianjin, since there are over 300 industrial parks located in Tianjin. However according to the Implementation Plan for the Industrial Park Rectification Work (天津市工業園區(聚集區)圍城問題治理工作實施方案) issued in July 2018, Tianjin plans to integrate 130 industrial parks and decommission 116 industrial parks by 2020. In accordance with this plan, the public and others segment of the property management industry in Tianjin is expected to decline in the near future.

In the next five years, the total GFA of properties under management in Tianjin is expected to grow at a CAGR of 4.4%, increasing from 402.7 million sq.m. in 2018 to 498.8 million sq.m. in 2023.

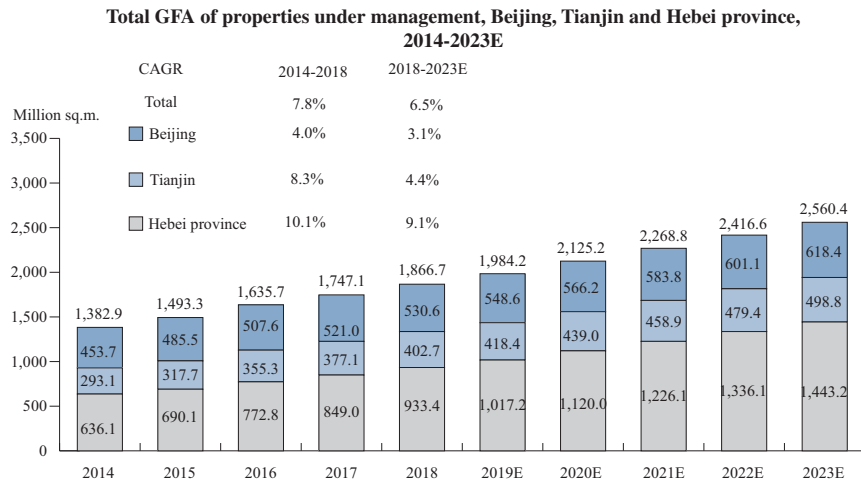
Overview of the property management market in Hebei province

From 2014 to 2018, the market size of the property management industry in Hebei province increased from 636.1 million sq.m. to 933.4 million sq.m., representing a CAGR of 10.1%.

Over the past five years, the residential segment of Hebei province recorded the highest growth rate among all segments in its property management industry. Hebei province is one of the largest provinces in terms of population in the PRC; due to its high birth rate and growing urbanisation rate, the urban population of Hebei province increased at a CAGR of 4.0% from 2014 to 2018, which was much higher than the national average of 2.6%. This urban population increase is consistently increasing the demand for residences in Hebei province. In 2018, over 10 cities in Hebei province have issued talent attraction plans. As a result, a larger proportion of graduates and talents who flow out from surrounding cities and provinces are expected to settle in Hebei province, which will further drive the demand for housing and the corresponding property management services. In 2019, 19 massive-scale shopping centres are planned to open in Hebei province, which will maintain the market growth of the property management market for commercial properties. Office property development is expected to be stimulated by the skilled population inflow, and the public and others segment is also predicted to see a moderate growth due to the improved regulation of industrial parks with higher environmental standards in addition to the development of Xiongan New Area (雄安新區).

In the next five years, the total GFA of properties under management in Hebei is expected to grow at a CAGR of 9.1%, increasing from 933.4 million sq.m. in 2018 to a projected 1,443.2 million sq.m. in 2023.

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Note: Total GFA of properties under management refers to properties that have been delivered to property owners.

Source: CIC

Property management fee analysis for different property types in Beijing, Tianjin and Hebei province

Unit: RMB per sq.m. per month	Beijing		Tianjin and Hebei province	
	Property management fee rate range ¹	Average property management fee rate	Property management fee rate range ¹	Average property management fee rate
1. Residential				
Apartment	0.5 to 29	3 to 4.5	0.35 to 5	0.5 to 2
Town-house	0.5 to 7.9	4 to 5	1.5 to 7.35	3 to 4
Villas	2.6 to 29.8	15 to 20	2 to 10	3 to 5
2. Commercial				
Shops	0.5 to 15	4 to 6	0.5 to 15	3 to 5
Shopping centres ¹	2.5 to 65	30 to 35	2 to 45	25 to 30
3. Office buildings ¹	4 to 39	25 to 30	3 to 30	15 to 20

Note:

- The property management fee rate range is determined by the property management fee rate difference between low-end properties and high-end properties in designated regions. The property management fee rate range varies greatly depending on the quality of the building and service expectation.

Source: CIC

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COMPETITIVE LANDSCAPE OF PROPERTY MANAGEMENT MARKET IN BEIJING

Overview of the competitive landscape of non-SOE-related developer-affiliated property management market in Beijing

The competitive landscape of the property management industry of Beijing is fairly fragmented, although, SOE-related companies occupy approximately 35% of the market, and non-SOE-related developer-affiliated companies take another 50%. In 2018, the top 10 players accounted for approximately 11.8% market share among the non-SOE-related developer-affiliated in Beijing in terms of the total GFA under management. In 2018, our Group ranked ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a GFA of approximately 1.9 million sq.m. in Beijing, and a market share of approximately 0.7%. The table below shows the ranking of non-SOE-related developer-affiliated property management companies, in terms of total GFA under management in Beijing in 2018.

Ranking	Company name	Headquarters location	Total GFA under management in Beijing in 2018 (million sq.m.)	Market share in 2018
1	Company A	Guangzhou	5.8	2.17%
2	Company B	Chongqing	4.4	1.67%
3	Company C	Shenzhen	4.3	1.63%
4	Company D	Guangzhou	3.6	1.36%
5	Company E	Shenzhen	2.7	1.01%
6	Company F	Beijing	2.6	0.97%
7	Company G	Beijing	2.5	0.95%
8	Company H	Tianjin	2.1	0.79%
9	Our Group	Beijing	1.9	0.70%
10	Company I	Hangzhou	1.5	0.55%
Subtotal			31.4	11.80%
Others			233.9	88.20%
Total			265.3	100.00%

Source: CIC

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Overview of major players in the non-SOE-related developer-affiliated property management market in Beijing

Company name	Founding year	Headquarters location	Number of provinces and municipal cities entered	Company information
Company A	1997	Guangzhou	26	Company A provides high-quality property management services in diverse project categories, including normal and residential properties, office buildings, commercial complexes, etc.
Company B	1997	Chongqing	22	Through standardised property management procedure and the application of mobile internet, Company B has covered over two million property owners in over 70 cities across the country.
Company C	1990	Shenzhen	26	Company C is featured with high-standard service quality and huge business scales. Company C currently runs 1,800 projects in 65 cities in the PRC.
Company D	1997	Guangzhou	30	Company D is affiliated to one of the largest real estate companies in the PRC. As at the end of 2018, it manages over 800 projects in 30 provinces and municipal cities.
Company E	1996	Shenzhen	21	Company E has become a leading operator of community service and asset management service. Company E runs its business in the majority of provinces and municipal cities in the PRC, covering diverse categories of property.
Company F	1995	Beijing	11	Based in Beijing, through the use of international professional property management experience, Company F has earned a recognised industry reputation nationwide.

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Company name	Founding year	Headquarters location	Number of provinces and municipal cities entered	Company information
Company G	2002	Beijing	10	Company G is one of the top 100 property management companies in the PRC, mainly focusing on residential properties, with nearly 40 projects in 10 provinces and municipal cities in 2018.
Company H	2004	Tianjin	29	Company H focuses on providing high-quality property management service for high-end residential and normal residential properties, commercial and office properties, etc. As at the end of 2018, it operates in 400 projects in 94 cities in the PRC.
Our Group	2003	Beijing	10	Our Group is affiliated to Parent Group. Our Group provides professional and comprehensive property management services covering various categories of properties.
Company I	1998	Hangzhou	29	Based in Hangzhou, Company I is affiliated to one of China's largest developers, providing property management service and other valued-added services for various types of properties. Company I operates in 137 cities in 2018.

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Overview of the competitive landscape of the overall property management market in Beijing

In 2018, the top 10 players accounted for approximately 16.96% in aggregate of the market share among the property management industry in Beijing, in terms of the total GFA under management. In 2018, our Group ranked 21st in the property management market in Beijing in terms of total GFA under management, with a GFA of approximately 1.9 million sq.m. in Beijing, and a market share of approximately 0.35%.

Ranking	Company name	Headquarters location	Total GFA under management in Beijing in 2018 (million sq.m.)	Market share in 2018
1	Company J	Beijing	37.6	7.09%
2	Company N	Beijing	8.1	1.53%
3	Company O	Hong Kong	7.8	1.47%
4	Company M	Shenzhen	6.0	1.13%
5	Company P	Guangzhou	5.9	1.11%
6	Company A	Guangzhou	5.8	1.08%
7	Company Q	Hong Kong	5.5	1.04%
8	Company L	Hong Kong	4.6	0.87%
9	Company B	Chongqing	4.4	0.83%
10	Company C	Shenzhen	4.3	0.81%
Top 10 subtotal			90.0	16.96%
21	Our Group	Beijing	1.9	0.35%
Others			438.7	82.69%
Total			530.6	100.00%

Source: CIC

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Overview of the competitive landscape of property management market in the Beijing-Tianjin-Hebei Region

In 2018, the top 10 players accounted for approximately 9.7% market share among the property management industry in the Beijing-Tianjin-Hebei Region, in terms of the total GFA under management. In 2018, our Group ranked 23rd in the property management market in the Beijing-Tianjin-Hebei Region in terms of total GFA under management, with a GFA of approximately 3.8 million sq.m. in the Beijing-Tianjin-Hebei Region, and a market share of approximately 0.2%.

Ranking	Company name	Headquarters location	Total GFA under management in the Beijing-Tianjin-Hebei Region in 2018 (million sq.m.)	Market share in 2018
1	Company J	Beijing	38.2	2.04%
2	Company K	Langfang	22.8	1.22%
3	Company L	Hong Kong	20.6	1.10%
4	Company D	Guangzhou	19.7	1.06%
5	Company M	Shenzhen	16.2	0.87%
6	Company N	Beijing	15.3	0.82%
7	Company O	Hong Kong	13.7	0.73%
8	Company I	Hangzhou	11.9	0.63%
9	Company A	Guangzhou	11.6	0.62%
10	Company C	Shenzhen	11.4	0.61%
Top 10 subtotal			181.4	9.70%
23	Our Group	Beijing	3.8	0.20%
Others			1,681.6	90.10%
Total			1,866.8	100.00%

Source: CIC

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Key success factors of property management market in the PRC

- (i) **Service quality:** The service quality of property management companies is considered as one of key success factors as it is highly correlated with the customer satisfaction level, property management fee collection rate and property management contract renewal rate. The service quality of traditional property management services such as garbage removal and community cleaning can greatly influence the customer satisfaction level. High-quality traditional property management services can greatly improve property owners' trust towards property management companies, and help pave the way for property owners to accept additional value-added services. Moreover, property-owner committees are playing an increasingly important role in residential communities in the PRC, as they have the right to make contract renewal decisions and to replace property management companies who neglect their duties. As a result, consistent service quality is considered crucial for the stability of property management companies.
- (ii) **Scale of operations:** Property management companies may achieve economies of scale by increasing the total GFA and the number of projects under management, as standardised operation and cost cutting can be achieved through increasing operation scale. With reduced labour costs and administration expenditures, property management companies' profitability can be improved. On the other hand, large-scale operation is also important for property management companies' digitalised or O2O business, as the initial investment and R&D costs can be allocated among an increased number of users, which will reduce per capita overhead.
- (iii) **Brand reputation:** Well-established reputation enables property management companies to efficiently attract new projects. As property-owner committees now have the right to replace property management companies that have poor service performance, companies with a good brand reputation will have a greater number of opportunities to be selected by property-owner committees who are seeking reliable performance from reputable companies.
- (iv) **Sustainable capital inputs:** Leading property management companies are investing heavily in new technologies, intelligent devices, automated operation systems and employee training. Highly-standardised property management services helps to widen property management companies' service lines for both traditional and value-added services with lower costs. Thus, continuous capital input enables property management companies to make investments to help enhance their market competency through the development of new service categories and the improvement of existing services.

INDUSTRY OVERVIEW

Entry barriers of property management market in the PRC

- (i) **Brand recognition:** With nearly 40 years of development and intense competition, leading property management companies have built well-established brand images among property owners. Leading property management companies are well-recognised in the industry for their high-quality services and high presence frequency. High-quality services provided by leading companies can effectively improve property owners' trust, which not only helps to strengthen customer loyalty, but also accelerates the progression of newly-developed value-added services, which enhances revenue sources. However, it is difficult for new market entrants to build brand recognition and gather a group of loyalty customers in a short time period, thus the well-established brand image of leading participants in the industry is considered as one of major entry barriers for the property management industry.
- (ii) **Industry experiences:** Property management normally delivers multiple types of services in its daily operations, and it is difficult to maintain high service quality and good relationships with customers. Therefore, smooth operation of property management works requires abundant project experience in various aspects such as staff assignment, resource allocation, contradiction handling, etc. These past experiences help property management companies allocate resources on a most efficient basis, which results in lower operation costs and higher profitability. However, new entrants to the industry are equipped with very limited experience, so they must put greater efforts towards cost control and operation efficiency improvement in order to gradually adapt to the market.
- (iii) **Capital requirements:** Capital has been becoming increasingly important for the property management industry. Companies in the industry are trying to improve service quality and accumulate client loyalty by investing in skilled labour, modern equipment, and advanced technologies. In recent years, the property management industry is slowly shifting from a labour intensive industry to a capital intensive industry, as market participants are now increasing investment in new fields such as the application of automation and mobile internet in order to enhance competency. Thus in order to compete with the existing players in the industry who have already accumulated a customer base, new entrants have to invest even higher to obtain similar competency.
- (iv) **New technology application:** Technology development provides new opportunities for the property management industry. By implementing new technologies, property management companies are able to improve operating efficiency, cut labour costs, accelerate resource integration, and enhance profitability. However, due to the comparatively low profit margin of the industry, the new technology capability has become a vital barrier for small companies.

REGULATORY OVERVIEW

A summary of the most significant laws, regulations and rules that affect our business activities and operation in the PRC is set out below.

COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Law of the PRC (中華人民共和國公司法)(Order No. 15 of the President) (the “**Company Law**”), which was enacted by the Standing Committee National People’s Congress (the “**SCNPC**”) on 29 December 1993 and was implemented since 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 and 26 October 2018, respectively, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Company Law stipulates that a limited company shall prepare a shareholders’ register, which shall record the following matters: (1) The name and address of each shareholders; (2) The capital contribution made by each shareholder; and (3) The serial number of each capital contribution certificate. The shareholders recorded in the shareholders’ register may, pursuant to the shareholders’ register, claim and exercise shareholders’ rights. A company shall register the name of each shareholder and the shareholder’s capital contribution at the company registration authority. The company shall carry out amendment of the registration in the event of any change in the registered details. Any registration detail that fails to be amended or registered shall not be valid against any third-party.

On 15 March 2019, the National People’s Congress (the “**NPC**”) approved the PRC Foreign Investment Law (中華人民共和國外商投資法) (the “**FIL**”), which came into effect on 1 January 2020 and replaced three existing laws on foreign investments in the PRC, namely, the PRC Equity Joint Venture Law (中華人民共和國中外合資經營企業法), the PRC Cooperative Joint Venture Law (中華人民共和國中外合作經營企業法) and the PRC Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法). On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》). The FIL embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in the PRC. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors; (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC; (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors; or (iv) investments in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list”. The FIL provides that foreign invested entities operating in restricted or prohibited industries for foreign investments will require market entry clearance and other approvals from relevant PRC governmental authorities.

REGULATORY OVERVIEW

Furthermore, the FIL provides that foreign-invested enterprises established according to the existing laws regulating foreign investments may maintain their structure and corporate governance within five years after the implementing of the FIL. In addition, the FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments with respect to policies to the foreign investors; foreign invested enterprises are allowed to public issue of stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within the PRC, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign-invested enterprises should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (外商投資企業設立及變更備案管理暫行辦法)([2018] Order No. 6 of MOFCOM) (promulgated by MOFCOM and became effective on 8 October 2016, amended on 30 July 2017 and on 29 June 2018). Since January 1, 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.

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)([2000] Order No. 6 of 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, 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)(which has been replaced by Regulations on Foreign Investment Guidelines (指導外商投資方向規定) on 1 April 2002) and the 2017 revision of Guideline Catalogue of Foreign Investment Industries (外商投資產業指導目錄(2017年修訂))(which was partially abolished by The Special Administrative Measures on Access to Foreign Investment (2018 Version) (the “**2018 Negative List**”)(外商投資准入特別管理措施(負面清單)(2018年版))). No foreign-funded enterprise shall invest in fields banned to foreign investment.

According to Regulations on Foreign Investment Guidelines (指導外商投資方向規定)(Order No. 346 of the State Council) (promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002), foreign investment projects shall be classified into four categories: encouraged, permitted, restricted and prohibited. Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guideline Catalogue of Foreign Investment Industries, while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to permitted foreign investment projects.

REGULATORY OVERVIEW

The 2017 revision of the Catalogue of Industries for Guiding Foreign Investment (Order No. 4 of the NDRC and MOFCOM in 2017) (the “**2017 Guiding Catalogue**”) (外商投資產業指導目錄(2017年修訂))(jointly revised by the NDRC and MOFCOM on 28 June 2017 and came into effect on 28 July 2017) classifies industries to be invested by foreign investors into two categories: encouraged industries and industries contained in the 2018 Negative List (including restricted industries and prohibited industries). The 2018 Negative List (Order No. 18 of the NDRC and MOFCOM) (jointly issued by the NDRC and MOFCOM on 28 June 2018 and came into effect on 28 July 2018) substitutes the negative list catalogue of the 2017 Guiding Catalogue.

In addition, on 30 June 2019, the NDRC and MOFCOM had jointly issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單) (2019年版)) (the “**2019 Negative List**”) (Order of the NDRC and MOFCOM No. 25), the Special Administrative Measures for Access of Foreign Investment in Pilot Free Trade Zones (Negative List) (2019 Edition) (自由貿易試驗區外商投資准入特別管理措施(負面清單)(2019年版)) (Order of the NDRC and MOFCOM No. 26) and the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (鼓勵外商投資產業目錄(2019年版)) (Order of the NDRC and MOFCOM No. 27), all of which will enter into force on 30 July 2019 and the 2018 Negative List, the catalogue of encouraged industries of the 2017 Guiding Catalogue shall be repealed simultaneously. The 2019 edition of negative lists for access of foreign investment, stylistically and structurally same as the 2018 edition, is further made shorter than before, with a number of new opening-up measures launched. The 2019 Negative List for access of foreign investment in areas nationwide is cut by 16.7% from 48 items to 40 items. Specifically, the changes reflect the country’s move to (i) expand the opening-up of the service industry; (ii) ease restrictions on access to the agriculture, mining and manufacturing sectors; (iii) continue to give play to the role of pilot free trade zones as “experimental fields” in opening-up, through lifting from the negative list limits on foreign investment in such fields as catching of aquatic products and printing of publications, in a bid to move forward with the pioneering exploration there.

Foreign investors shall not invest in any of the prohibited sectors specified in the 2019 Negative List and shall obtain the permit for access to foreign investments and comply with the administrative measures before investing in other sectors in the 2019 Negative List. Any industry not falling into the 2019 Negative List is generally open to foreign investors unless specifically restricted by other PRC regulations or rules. The property management services and the operation of our one-stop online service platform do not fall into the 2019 Negative List and are not subject to foreign ownership restrictions.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Regulations on the qualification of property management companies

According to the Regulations on Property Management (物業管理條例) (Order of the State Council No. 698) (Released by Order No. 379 of the State Council on June 8, 2003 and was amended on 26 August 2007 and 19 March 2018), a system of joint incentive for honesty and joint punishment for dishonesty shall be improved in the supervision of property management enterprises by the State Council’s construction administration department together with other relevant departments, to strengthen the credit management of the industry.

REGULATORY OVERVIEW

According to Measures for the Administration on Qualifications of Property Management Enterprises (物業管理企業資質管理辦法) (Order of the Ministry of Construction [2004] No. 125), which was promulgated by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004, was amended on 26 November 2007 and 4 May 2015, and was abolished on 8 March 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise were classified into first, second and third grades.

According to Decision of the State Council on Cancelling the Third Batch of Administrative 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), which was promulgated by the State Council on 12 January 2017, the examination and approval of second grade or lower qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Cancelling a Group of Administrative Licensing Items (國務院關於取消一批行政許可事項的決定), which was promulgated by the State Council on 22 September 2017, the examination and approval of first grade qualification of property management enterprises were cancelled.

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

Appointment of property management enterprises

According to the Property Law of the PRC (中華人民共和國物權法) (Order [2007] No. 62 of the President of the PRC) (promulgated by the NPC on 16 March 2007 and became effective on 1 October 2007), property owners can either manage the buildings and the ancillary facilities by themselves, or entrust the matter to a property service enterprise or other custodians. Property owners are entitled, according to the laws, to replace the property service enterprise or other custodians engaged by the developer. Property service enterprises or other custodians shall manage the buildings and the ancillary facilities within the district of the building as entrusted by the owners, and shall be subject to the supervision by the owners.

REGULATORY OVERVIEW

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 owners who own more than half of the total GFA of the community and who account for more than half of the total number of the property owners. Property owners' committee, on behalf of the property owners, can sign property management contract with property management enterprises engaged at the general meeting. Where a developer recruits and selects any property management enterprise before it is selected by owners and the general meeting, such developer shall conclude a written preliminary property management contract with the enterprise. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' committee and the property management enterprise comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates.

According to the Regulations on Property Management and the Interim Measures for 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) (promulgated by the MOHURD on 26 June 2003 and came into effect on 1 September 2003), developer of residential buildings and non-residential buildings in the same property management area shall engage qualified property management enterprises by inviting bid. 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 select 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.

In case where there are less than three bidders or for small-scale properties, the developer can hire qualified property management enterprises by signing an agreement upon the approval of the real estate administrative department of the local government of the district or county of the place where the property is located. Where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose a penalty of no more than RMB100,000.

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) (promulgated 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 contract signed according to the relevant laws and regulations by the developer and the property management enterprise and the property management contract signed by the property owners' committee and property management enterprises hired according to the relevant laws and regulations by the 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 contract. The court shall support a claim if property owners' committee or property owners appeal to the court to confirm that the clauses of property management services contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' committee or property owners are invalid.

REGULATORY OVERVIEW

Charging of property management enterprises

According to the Measures on the Charges of Property Service (物業服務收費管理辦法)(Fa Gai Jia Ge [2003] No. 1864) (jointly promulgated by the NDRC and the Ministry of Construction (Repealed, the “MOC”) on 13 November 2003 and came into effect on 1 January 2004), property management enterprises are permitted to charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental health and order of relevant areas according to relevant property management services contracts. The property service fee shall follow either government-guided pricing or market-regulated pricing based on the nature and features of properties of various kinds. The specific pricing principles shall be determined by the competent price administration departments and real estate departments of provincial level.

As agreed between the property owners and property management enterprises, the fees for the property management services can be charged either on 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 contract, and property owners shall enjoy or assume the surplus or deficit.

Property management enterprises shall expressly price their services according to law, and display its service items and standards, charged items and standards and other related contents on the noticeable positions in the management areas publicly.

According to the Regulation on Property Service Fee with Clear Price Tag (物業服務收費明碼標價規定)(Fa Gai Jia Ge [2004] No. 1428) (promulgated by the NDRC and the MOC on 19 July 2004 and came into effect on 1 October 2004), property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property service contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Circular of the 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 the 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 management enterprises 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 areas, 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 administration authorities, decide to implement government guidance prices for charges of property management for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts 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 subject shall be considered and a subsidy mechanism shall be established.

REGULATORY OVERVIEW

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 promulgated by the NDRC and the MOC 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 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 services 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.

REGULATIONS ON PARKING SERVICE FEES

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (關於城市停車設施規劃建設及管理的指導意見)(Jian Cheng [2010] No. 74) (jointly promulgated by the MOHURD, the Ministry of Public Security of the PRC (中華人民共和國公安部) (the "MPS") and the NDRC 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 the Circular of the MOHURD on Strengthening the Administration of Urban Parking Facilities (住房和城鄉建設部關於加強城市停車設施管理的通知)(promulgated by the MOC on 22 September 2015 and came into effect on the same day), the implementation of franchise in-road parking lots and public parking lots invested and constructed by government is encouraged.

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, the MOHURD and the Ministry of Transport of the PRC (中華人民共和國交通運輸部) on 15 December 2015 and came into effect on the same day), the fee charged in parking service shall be determined mainly by the market, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital. Furthermore, the implementation of differentiated charges according to the location of parking facilities, parking time and the type of motor vehicles etc. shall be accelerated.

According to the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (國家發改委關於放開部分服務價格意見的通知), price control on parking services in residence communities was also cancelled.

REGULATORY OVERVIEW

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) (promulgated 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 service refers to the provision with charge of payment of information through the internet to web users or of webpage designing, etc. Non-commercial internet service refers to the provision free of charge of public, commonly-shared information through the internet to web users.

Entities engaged in providing commercial internet information service shall apply for a licence for value-added telecommunication services of internet information services. As for the operation of non-commercial internet information services, 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.

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)(promulgated 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 required by laws and regulations. Mobile internet application provider shall not use mobile internet application programme to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread any 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 programme within the administrative regions.

REGULATORY OVERVIEW

INFORMATION SECURITY AND PRIVACY PROTECTION

According to the Cyber Security Law of the PRC (中華人民共和國網絡安全法)(promulgated by the SCNPC on 7 November 2016, came into effect on 1 June 2017), network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data, the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On 28 December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (關於加強網絡信息保護的決定) to enhance the legal protection of information security and privacy on the internet. On 16 July 2013, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “**MIIT**”) promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定), which became effective on 1 September 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and internet information service in the PRC.

According to the Several Provisions on Regulation of the Order of Internet Information Service Market (規範互聯網信息服務市場秩序若干規定) (promulgated by the MIIT on 29 December 2011, came into effect on 15 March 2012), without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (the “**personal information of users**”), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The internet information service market provisions also require that internet information service providers shall properly preserve the personal information of users.

On 9 May 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋) (the “**Interpretations**”), effective from 1 June 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC (中華人民共和國刑法), including “citizen’s personal information”, “provision” and “unlawful acquisition”. In addition, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

REGULATORY OVERVIEW

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)(promulgated by the SCNPC on 5 July 1994, became effective as at 1 January 1995, and as amended on 27 August 2009 and 29 December 2018), enterprises and institutions shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, educate employee in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide employees with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labour protection.

According to the Labour Contract Law of the PRC (中華人民共和國勞動合同法)(promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008 and revised on 28 December 2012 and came into effect on 1 July 2013), employment contracts shall be concluded in written form if employment relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force the employees to work beyond the statutory time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例)([1999] No. 259 Order of the State Council) (issued by the State Council on 22 January 1999 and came into effect on the same day, and was amended on 24 March 2019), the Regulation on Work Related Injury (工傷保險條例)([2003] 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, came into effect on 1 January 2011), the Regulations on Unemployment Insurance (失業保險條例)([1999] 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)([1994] No. 504 Order of the Ministry of Labour and Social Insurance) (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 programmes including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法)(Order No. 35 of the President of the PRC) (promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011 and as amended on 29 December 2018), for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of then amount of the social insurance premium payable by them, and the executives who are directly responsible 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.

REGULATORY OVERVIEW

Pursuant to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例)(Order No. 262 of the State Council) (promulgated by the State Council on 3 April 1999, revised on 24 March 2002 and was last amended on 24 March 2019), an enterprise shall make deposit registration of housing provident funds with the housing provident fund management centre, and shall, after the housing provident fund management centre has checked the registration, open the housing provident fund account with an entrusted bank for its employees. An enterprise shall, within five days of paying wages to an employee each month, remit the housing provident fund deposited by the enterprise and that withheld for the employee into the special housing provident fund account, and the entrusted bank shall deposit the aforesaid funds into the employee's housing provident fund account. Where an enterprise fails to deposit the housing provident fund within the time limit or under-deposits the fund, it shall be ordered by the housing provident fund management centre to deposit the fund or the deficit within a time limit, where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Trademark law

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法)(Order No. 10 of the SCNPC) (promulgated by the SCNPC on 23 August 1982, came into effect on 1 March 1983 and revised on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019) and the PRC Trademark Law Implementing Regulations (中華人民共和國商標法實施條例)(Order No. 651 of the State Council) (promulgated by the State Council on 29 April 2014 and came into effect on 1 May 2014). The trademark bureaux under 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) 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, trademark law 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 shall 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)(Order No. 26 of the President of the PRC) (promulgated by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and revised on 27 October 2001 and 26 February 2010) specifies that works of Chinese citizens, legal persons or other organisations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

REGULATORY OVERVIEW

The Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法)(Order No. 1 of the National Copyright Administration) (promulgated by the National Copyright Administration of the PRC (中華人民共和國國家版權局) (the “NCAC”) 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 NCAC is mainly responsible for the registration and management of national software copyright and recognises the Copyright Protection as the software registration organisation. The Copyright Protection Centre of China (中國版權保護中心) 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)(Order No. 339 of the State Council) (promulgated 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 Administrative Measures for Internet Domain Names (互聯網域名管理辦法)(Order No. 43 of the MIIT), which was issued by the MIIT on 24 August 2017 and came into effect on 1 November 2017, the MIIT is responsible for managing internet network domain names of China. The principle of “first-to-file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder’s identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL SUPERVISION OVER THE CHINESE TAX

Enterprise Income Tax (“EIT”)

In accordance with the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法)(the “EIT Law”) ([2007] No. 64 Order of the President of the PRC) (promulgated on 16 March 2007 and became effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018) and the Regulation on the Implementation of EIT Law of the PRC (中華人民共和國企業所得稅法實施條例)([2007] No. 512 Order of the State Council) (promulgated on 6 December 2007 and became effective from 1 January 2008, and was amended on 23 April 2019), enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in the PRC, shall be considered as “resident enterprises”. Enterprises established under the law of the foreign country (region) with “de facto management bodies” outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as “non-resident enterprises”.

REGULATORY OVERVIEW

A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside the PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

According to the Arrangements Between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排)(promulgated by SAT on 21 August 2006 and came into effect on 8 December 2006, and was partially amended by Second Protocol to the Arrangement between Mainland and Hong Kong 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第二議定書) on 30 January 2008), 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 Circular on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (關於稅收協定中“受益所有人”有關問題的公告)(Announcement of SAT [2018] No. 9) (promulgated by SAT on 3 February 2018 and came into effect on 1 April 2018), the determination of whether a company enjoys preferential tax treaty benefits shall be made based on an overall assessment of the various factors, together the actual situation of each specific case.

According to the Announcement on Several Issues concerning the EIT 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) (promulgated by SAT on 3 February 2015 and came into effect on the same day, revised on 17 October 2017 and 29 December 2017), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT 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 EIT Law. Where the EIT 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.

Income tax in relation to dividend distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong 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稅避免雙重徵稅和防止偷漏稅的安排)(the “**Arrangement**”) on 21 August 2006 and implemented the Arrangement from 1 January 2007. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax resident holds less than 25% of the equity interests in the PRC company.

REGULATORY OVERVIEW

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (Guoshui Han [2009] No. 81)(國家稅務總局關於執行稅收協定股息條款有關問題的通知)(國稅函 [2009] 81號), which was promulgated by SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident of the other party who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

Value-added tax

According to Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例)(Order No. 134 of the State Council) (promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 10 November 2008, 6 February 2016 and 19 November 2017), organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale or services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of value-added tax (“VAT”), the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to VAT (Caishui [2011] No. 110) (關於印發營業稅改徵增值稅試點方案的通知)(財稅[2011]110號)(promulgated and became effective on 16 November 2011), which was promulgated by the MOF and SAT, the state began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in Lieu of Business Tax (Caishui [2016] No. 36)(關於全面推開營業稅改徵增值稅試點的通知)(財稅[2016] 36號), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, and was amended on 11 July 2017 and 20 March 2019, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from 1 May 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of VAT instead of business tax. For general service income, the applicable VAT rate is 6%.

REGULATORY OVERVIEW

Foreign exchange regulations

Under the Administrative Regulations of the PRC on Foreign Exchange (中華人民共和國外匯管理條例)(the “**Foreign Exchange Administrative Regulations**”) (promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 5 August 2008, and became effective on 5 August 2008), Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

In accordance with the Foreign Exchange Administrative Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Circular 37, SAFE carry out registration management for domestic resident’s establishment of SPV. A SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and domestic individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing”. “Round trip investments” refer to “the direct investment activities carried out by a domestic resident directly or indirectly via a SPV, such as establishing a foreign-invested enterprise or project within the PRC through a new entity, merger, acquisition or any other ways and obtaining ownership, control, operation and management and other rights and interests”. Before a domestic resident contributes its legally owned onshore or offshore assets and equity to a SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of SAFE, and in the event of any change of basic information such as the individual shareholder, name, operation term, or if there is a capital increase or decrease, equity transfer or swap, merge, spin off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. In addition, according to the procedural guidelines as attached to the Circular 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled by him (first level)”.

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (Huifa [2015] No. 13) (關於進一步簡化和改進直接投資外匯管理政策的通知)(匯發 [2015] 13號)(promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015), the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

REGULATORY OVERVIEW

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知)(the “**Circular 19**”) (promulgated by SAFE on 30 March 2015, and became effective on 1 June 2015), the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement (the “**Discretionary Foreign Exchange Settlement**”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, the Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Huifa [2016] No. 16)(關於改革和規範資本項目結匯管理政策的通知)(the “**Circular 16**”) (promulgated by SAFE on 9 June 2016, which became effective simultaneously), enterprises registered in the PRC (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. The Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign exchange capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business licence.

REGULATORY OVERVIEW

REGULATIONS ON MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 2003 when our principal operating subsidiary, Beijing Hongkun, was established under Hongkun Group, the property development business sector of Parent Group, with a service philosophy in “creating an enjoyable living environment (讓人們住的開心)”. At the initial stage of our development, we mainly focused on providing property management services in the greater Beijing area and since 2010, our operations gradually expanded to the surrounding regions such as Tianjin, and Langfang city and Zhuozhou city in Hebei province, the PRC. Since 2014, we expanded further to the southern part of the PRC to Dongfang city and Sanya city in Hainan province, the PRC. We have since then grown our presence and we further expanded to the southeastern part of the PRC to Yichang city in Hubei province in 2017, and to Shenmu city in Shaanxi province in the western part of the PRC in 2018. As at 31 August 2019, we provided property management services to properties spanning across eight cities in the Beijing-Tianjin-Hebei Region, Hubei province, Hainan province and Shaanxi province, the PRC, managing a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties. According to the CIC Report, we ranked (i) 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018; and (ii) ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018. Beijing Hongkun was listed on the NEEQ on 1 August 2018 and delisted from the NEEQ on 19 December 2018 in contemplation of the listing of our Shares on the Stock Exchange.

Inheriting the corporate culture of Hongkun Group, we strive to provide more than just property management services to property owners and residents. We seek to put our service philosophy into practice by offering a vast range of value-added services and organising a variety of activities in our managed properties. Besides, leveraging our proven track record and experience gained from our established operations in property management services, and our understanding and knowledge of the needs of property developers and residents, we gradually expanded our scope of services to include property developer related services prior to their delivery of the properties to property owners. We also took the initiative to enhance our property management services in August 2018 through the introduction of the mobile application, namely “Hongkunhui* 鴻坤薈”, a one-stop online service platform to allow property owners and residents of our managed properties to interact with us in a timely manner and to access our property management services, in response to the trend and the need to progress to a technology-driven era. Through upholding our service philosophy and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC.

While we have been predominantly providing property management services to properties developed by Hongkun Group since 2004, a well-known property developer group in the PRC controlled by our Controlling Shareholder, which was our holding group prior to the completion of the Reorganisation, we have been actively seeking property management engagements from other Independent Third Party property developers. As at 31 August 2019, the total revenue-bearing GFA attributable to properties developed by Independent Third Parties was approximately 42,000 sq.m., representing approximately 0.9% of our Group’s total revenue-bearing GFA. We have also started providing property developer related services to Independent Third Party property developers in the PRC since 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Key business development milestones

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

Year	Events
2003	Beijing Hongkun was established in Beijing, the PRC
2004	We started to provide property management services to affordable properties (經濟適用房), namely Ruihai Home* (瑞海家園), in Beijing, the PRC, developed by Hongkun Group. Ruihai Home* (瑞海家園) is the first residential property under our management
2007	We started to provide property management services to commodity properties (商品房) in Beijing, the PRC developed by Hongkun Group
2010	Beijing Hongkun Property Management was established in Beijing, the PRC, to focus on providing property management services to high-end residential properties, for example, villas
2011	Xianghe Hongkun was established in Hebei province, the PRC, through which we started to provide property developer related services to property developer in Langfang city, Hebei province, the PRC We expanded our property management services to residential properties in Hainan province and Hebei province, the PRC
2014	We expanded our property management services to residential properties in Tianjin, the PRC We expanded our property management services to commercial properties and started to provide management services to Hongkun Plaza Shopping Centre* (鴻坤廣場購物中心) in Beijing, the PRC
2015	Beijing Hongkun was accredited with GB/T 19001-2008 ISO 9001:2008 quality management system certification, GB/T 24001-2004/ISO 14001:2004 environmental management system certification and GB/T 28001-2011/OHSAS18001:2007 occupational health and safety management system certification, as well as the International Certification Network (IQNET) certification We expanded our property management services to residential properties in Hubei province, the PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2016 to 2019 Beijing Hongkun was selected as one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by China Property Management Institute* (中國物業管理協會) and CIA
- 2016 We started to provide property management services to Hongkun Stadium* (鴻坤•體育公園) in Beijing, the PRC
- We started to provide property management services to Hongkun Value Town* (鴻坤•金融谷) in Beijing, the PRC
- 2017 Beijing Hongkun was awarded with Level One Qualification Certificate* (一級資質證書) for property management enterprise in the PRC by the MOHURD
- We started to provide property developer related services to Independent Third Party property developers in the PRC
- 2018 We launched the mobile applications “Hongkunhui* 鴻坤薈” and “H-Butler* 鴻管家” developed by Hongkun Group
- Beijing Hongkun was ranked as one of the “2018 Top 50 Model Community Services Companies (in terms of customers’ satisfaction) in the PRC* (2018中國社區服務商•客戶滿意度模範企業50強)” and as one of the “2018 Top 100 Model Community Services Companies in the PRC* (2018中國社區服務商100強)” by EH Consulting (億翰智庫)
- Beijing Hongkun was ranked one of the “2018 Top 30 Blue Chip Property Companies in the PRC* (2018中國藍籌物業30強)” by The Economic Observer (經濟觀察報)
- Beijing Hongkun was listed on the NEEQ on 1 August 2018 and delisted from the NEEQ on 19 December 2018
- 2019 We ranked 48th among the “Top 100 Property Management Companies in the PRC* (中國物業服務百強企業)” by CIA
- We acquired the mobile applications “Hongkunhui* 鴻坤薈” and “H-Butler* 鴻管家” from Hongkun Group

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our principal subsidiaries

The details of our principal operating subsidiaries for business operation and development in the PRC during the Track Record Period are set out below:

Beijing Hongkun

Beijing Hongkun was established in Beijing, the PRC on 18 June 2003 as a limited liability company with a registered capital of RMB500,000. Beijing Hongkun is principally engaged in the provision of property management services, property developer related services and value-added services in the PRC. As at the date of its establishment, 20% and 80% of the equity interests of Beijing Hongkun was owned by Mr. Zhang Jin (張進), a former employee of Beijing Hongkun, and Beijing Ruyi Gallery Trading Company Limited* (北京如意廊商貿有限公司), a company wholly and jointly owned by Mr. Zhao Bin and Ms. Wu Hong, respectively.

On 13 February 2004, pursuant to a series of equity transfers, Beijing Hongkun was owned as to 40%, 30% and 30% by Hunan New Oriental Industrial Development Company Limited* (湖南新東方實業發展有限公司) (“**Hunan New Oriental**”), Hunan Herun Investment Company Limited* (湖南合潤投資有限公司, previously known as Hunan Yinxing Investment Management Company Limited* (湖南銀杏投資管理有限公司)) (“**Hunan Herun**”) and Hongkun Weiye, respectively. Hunan New Oriental and Hunan Herun are both ultimately wholly and jointly owned by Mr. Zhao Bin and Ms. Wu Hong, while Hongkun Weiye is a company controlled by Mr. Zhao Weihao.

On 15 June 2004, pursuant to a shareholders’ resolution, Beijing Hongkun increased its registered share capital from RMB500,000 to RMB3.0 million. Ms. Wu Hong and Hongkun Weiye each contributed RMB1.5 million and RMB1.0 million, respectively, into the additional registered capital. Upon completion of the said contributions on 17 August 2004, Beijing Hongkun was owned as to 50%, 6.7%, 5% and 38.3% by Ms. Wu Hong, Hunan New Oriental, Hunan Herun and Hongkun Weiye, respectively.

During the period from November 2005 to September 2014, Beijing Hongkun underwent a series of equity transfers and increased its registered capital from RMB3.0 million to RMB5.0 million. The additional registered capital of RMB2.0 million was contributed by Hongkun Weiye. Upon completion of the said contribution on 3 September 2014, Beijing Hongkun was directly wholly-owned by Hongkun Weiye.

On 7 August 2017, pursuant to an equity transfer agreement, the entire equity interests in Beijing Hongkun was transferred to Hongkun Jituan from Hongkun Weiye at a consideration of RMB5.0 million, which was determined with reference to the then registered capital of Beijing Hongkun. On 21 August 2017, pursuant to a shareholders’ resolution, Beijing Hongkun increased its registered capital from RMB5.0 million to RMB30.0 million. The injection of RMB25.0 million, together with the above equity transfer, were completed on 21 September 2017 and Beijing Hongkun was then owned as to 38%, 32%, 20% and 10% by Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre and Ningxia Yirun, respectively.

On 6 December 2017, the shareholders of Beijing Hongkun passed resolutions approving among other matters, the conversion of Beijing Hongkun from a limited liability company to a joint stock company with limited liability. The conversion was completed on 19 December 2017 when Beijing Hongkun obtained a new business licence.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Tianjin Hongsheng

Tianjin Hongsheng was established in Tianjin, the PRC on 27 December 2013 with a registered capital of RMB5.0 million. Tianjin Hongsheng is principally engaged in the provision of property management services and value-added services in the PRC. As at the date of its establishment, Tianjin Hongsheng was wholly-owned by an Independent Third Party.

Pursuant to the equity transfer agreement dated 18 January 2018, the entire equity interest in Tianjin Hongsheng was transferred to Beijing Hongkun from the Independent Third Party at a consideration of RMB4.2 million, which was determined with reference to net asset value of Tianjin Hongsheng. Upon completion of the said transfer, Tianjin Hongsheng became a wholly-owned subsidiary of Beijing Hongkun. The acquisition of Tianjin Hongsheng was for the purpose of our Group's expansion into Tianjin, the PRC. Through acquiring Tianjin Hongsheng, our Group obtained the property management service agreements for managing Hongjia Plaza* (鴻嘉廣場) and Hongyuan Plaza* (鴻源廣場) in Tianjin. Please refer to note 26(b) to the Accountants' Report in Appendix I to this prospectus for further details of the acquisition and "Business – Property management services – Our geographic presence" in this prospectus for further details of the property management projects obtained.

Yichang Zhongxiang

Yichang Zhongxiang was established in Yichang city, Hubei Province, the PRC on 21 November 2012 with a registered capital of RMB500,000. Yichang Zhongxiang is principally engaged in the provision of property management services, property developer related services and value-added services in the PRC. As at the date of its establishment, 70% and 30% of the equity interests in Yichang Zhongxiang was owned by Yichang New Shougang Real Estate Development Company Limited* (宜昌新首鋼房地產開發有限公司) ("**Yichang Xin Shougang**") and an Independent Third Party, respectively. Yichang Xin Shougang is indirectly owned by Hongkun Weiye as to 50%.

Pursuant to the equity transfer agreement dated 28 August 2015, 30% of the equity interests in Yichang Zhongxiang was transferred to Yichang Xin Shougang from the Independent Third Party at a consideration of RMB150,000, which was determined with reference to the registered share capital of Yichang Zhongxiang. Upon completion of the said transfer on 25 September 2015, Yichang Zhongxiang became wholly-owned by Yichang Xin Shougang.

On 10 October 2016, pursuant to a shareholders' resolution, Yichang Zhongxiang increased its registered capital by RMB2.5 million from RMB500,000 to RMB3.0 million. The additional registered capital was contributed entirely by Yichang Xin Shougang and completed on 11 November 2016.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pursuant to the equity transfer agreement dated 20 September 2017, Yichang Xin Shougang transferred the entire equity interests in Yichang Zhongxiang to Beijing Hongkun at a consideration of RMB200,000, which was determined with reference to the net asset value of Yichang Zhongxiang. Upon completion of the said transfer on 22 September 2017, Yichang Zhongxiang became a wholly-owned subsidiary of Beijing Hongkun. The acquisition of Yichang Zhongxiang was for the purpose of our Group's expansion into Yichang city, Hubei province, the PRC. Through acquiring Yichang Zhongxiang, our Group obtained the property management service agreement for managing National Guest No. 1* (國賓一號) in Yichang city in Hubei province. Please refer to note 26(a) to the Accountants' Report in Appendix I to this prospectus for further details of the acquisition and "Business – Property management services – Our geographic presence" in this prospectus for further details of the property management project obtained.

Dongfang Hongkun

Dongfang Hongkun was established in Dongfang city, Hainan Province, the PRC on 11 October 2011 with a registered capital of RMB500,000, and is currently inactive. As at the date of its establishment, 90% and 10% of the equity interests in Dongfang Hongkun was owned by Hongkun Weiye and Beijing Wanli Zongheng Investment Company Limited* (北京萬里縱橫投資有限公司) ("**Wanli Zongheng**"), a company directly owned by Ms. Wu Hong as to 50% and ultimately, wholly and jointly owned by Mr. Zhao Bin and Ms. Wu Hong.

Pursuant to the equity transfer agreement dated 18 September 2017, 90% and 10% of the equity interests in Dongfang Hongkun was transferred to Beijing Hongkun from Hongkun Weiye and Wanli Zongheng at a consideration of RMB180,000 and RMB20,000, respectively, which were determined with reference to the then financial performance and business prospect of Dongfang Hongkun. Upon completion of the said transfers on 26 September 2017, Dongfang Hongkun became a wholly-owned subsidiary of Beijing Hongkun.

Xianghe Hongkun

Xianghe Hongkun was established in Langfang city, Hebei Province, the PRC on 25 April 2011 with a registered capital of RMB500,000. Xianghe Hongkun is principally engaged in the provision of property management services, property developer related services and value-added services in the PRC. As at the date of its establishment, 90% and 10% of the equity interests in Xianghe Hongkun was owned by Hongkun Weiye and Wanli Zongheng, respectively.

Pursuant to the equity transfer agreement dated 15 August 2017, 90% and 10% of the equity interests in Xianghe Hongkun was transferred to Beijing Hongkun from Hongkun Weiye and Wanli Zongheng at a consideration of RMB900,000 and RMB100,000, respectively, which were determined with reference to the then financial performance and business prospect of Xianghe Hongkun. Upon completion of the said transfers on 26 September 2017, Xianghe Hongkun became a wholly-owned subsidiary of Beijing Hongkun.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Beijing Hongkun Property Management

Beijing Hongkun Property Management was established in Beijing, the PRC on 16 July 2010 with a registered capital of RMB5.0 million. Beijing Hongkun Property Management is principally engaged in the provision of property management services, property developer related services and value-added services in the PRC. As at the date of its establishment, 90% and 10% of the equity interests in Beijing Hongkun Property Management was owned by Hongkun Weiye and Wanli Zongheng, respectively.

Pursuant to the equity transfer agreement dated 12 September 2017, 90% and 10% of the equity interests in Beijing Hongkun Property Management was transferred to Beijing Hongkun from Hongkun Weiye and Wanli Zongheng at a consideration of RMB4.5 million and RMB500,000, respectively, which were determined with reference to the registered capital of Beijing Hongkun Property Management. Upon completion of the said transfers on 12 September 2017, Beijing Hongkun Property Management became a wholly-owned subsidiary of Beijing Hongkun.

Beijing Cloud Era

Beijing Cloud Era was established in Beijing, the PRC on 19 February 2016 with a registered capital of RMB5.0 million. Beijing Cloud Era is principally engaged in the provision of property management and value-added services in the PRC. As at the date of its establishment, the entire equity interests of Beijing Cloud Era was wholly-owned by Beijing Hongkun Innovation Industry Investment Company Limited* (北京鴻坤創新產業投資有限公司) (“**Beijing Hongkun Innovation Industry**”), a company directly wholly-owned by Hongkun Jituan.

Pursuant to the equity transfer agreement dated 25 December 2018, the entire equity interests in Beijing Cloud Era was transferred to Beijing Hongkun from Beijing Hongkun Innovation Industry at a consideration of RMB6.4 million, which was determined with reference to the net asset value of Beijing Cloud Era. Upon completion of the said transfer on 4 January 2019, Beijing Cloud Era became a wholly-owned subsidiary of Beijing Hongkun.

Beijing Hongkun Valley

Beijing Hongkun Valley was established in Beijing, the PRC on 18 February 2016 with a registered capital of RMB5.0 million. Beijing Hongkun Valley is principally engaged in the provision of property management and value-added services in the PRC. As at the date of its establishment, the entire equity interests of Beijing Hongkun Valley was wholly-owned by Beijing Hongkun Innovation Industry.

Pursuant to the equity transfer agreement dated 25 December 2018, the entire equity interests in Beijing Hongkun Valley was transferred to Beijing Hongkun from Beijing Hongkun Innovation Industry at a consideration of RMB7.3 million, which was determined with reference to the net asset value of Beijing Hongkun Valley. Upon completion of the said transfer on 14 January 2019, Beijing Hongkun Valley became a wholly-owned subsidiary of Beijing Hongkun.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Hongkun (Beijing) Business Management

Hongkun (Beijing) Business Management was established in Beijing, the PRC on 17 December 2008 with a registered capital of RMB3.0 million. Hongkun (Beijing) Business Management is principally engaged in the provision of property management and value-added services in the PRC. As at the date of its establishment, the entire equity interests of Hongkun (Beijing) Business Management was wholly-owned by Hongkun Weiye.

On 17 October 2014, pursuant to an equity transfer agreement, the entire equity interests in Hongkun (Beijing) Business Management was transferred to Hongkun Jituan from Hongkun Weiye at a consideration of RMB 3.0 million, which was determined with reference to the then registered capital of Hongkun (Beijing) Business Management.

Pursuant to the equity transfer agreement dated 28 December 2018, the entire equity interests in Hongkun (Beijing) Business Management was transferred to Beijing Hongkun from Hongkun Jituan at a consideration of RMB5.8 million, which was determined with reference to the net asset value of Hongkun (Beijing) Business Management. Upon completion of the said transfer on 30 January 2019, Hongkun (Beijing) Business Management became a wholly-owned subsidiary of Beijing Hongkun.

As advised by our PRC Legal Advisers, all of the abovementioned transfers were effective, legally binding and in compliance with the PRC laws and regulations, and all approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our principal branches

Our Company had the following principal branches as at the Latest Practicable Date, each of which operated its respective principal businesses as set out below:

Name of branches	Principal business(es)	Date of establishment
Beijing Hongkun Tianjin Branch	Provision of property management services, property developer related services and value-added services	24 July 2013
Beijing Hongkun Sanya Branch	Provision of property management services, property developer related services and value-added services	11 September 2013
Beijing Hongkun Dongfang Branch	Provision of property management services, property developer related services and value-added services	16 June 2014
Beijing Hongkun Xianghe Branch	Provision of property management services, property developer related services and value-added services	4 December 2014
Beijing Hongkun Langfang Branch	Provision of property management services, property developer related services and value-added services	24 August 2015
Beijing Hongkun Zhuozhou Branch	Provision of property management services, property developer related services and value-added services	16 September 2015

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

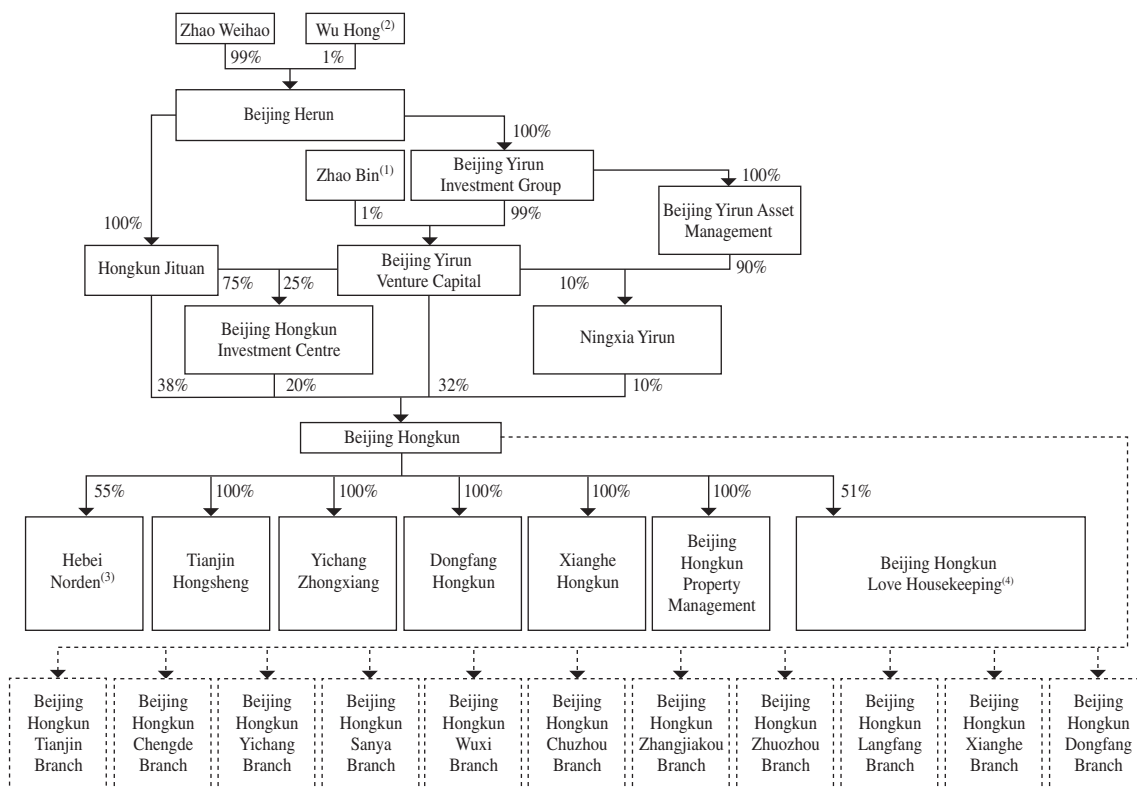
Name of branches	Principal business(es)	Date of establishment
Beijing Hongkun Zhangjiakou Branch	Provision of property management services, property developer related services and value-added services	21 September 2016
Beijing Hongkun Chuzhou Branch	Provision of value-added services	19 May 2017
Beijing Hongkun Wuxi Branch	Provision of value-added services	14 September 2017
Beijing Hongkun Yichang Branch	Provision of value-added services	23 March 2018
Beijing Hongkun Chengde Branch	Provision of value-added services	20 June 2018
Beijing Cloud Era Shanghai Branch	Provision of property management and value-added services	17 July 2019
Beijing Hongkun Foshan Branch	Provision of property management services, property developer related services and value-added services	12 September 2019

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

THE REORGANISATION

As part of our restructuring in contemplation of the Listing, we implemented the Reorganisation, pursuant to which our Company became the holding company and the listing entity of our Group.

Set forth below is the shareholding structure of our Group immediately before the Reorganisation:



☐ Branches

Notes:

1. Mr. Zhao Bin is Mr. Zhao Weihao's father and Ms. Wu Hong's spouse.
2. Ms. Wu Hong is Mr. Zhao Weihao's mother and Mr. Zhao Bin's spouse.
3. Hebei Norden was owned as to 55% and 45% by Beijing Hongkun and Guangzhou Norden Elevator Service Company Limited* (廣州諾登電梯服務有限公司) ("Guangzhou Norden"), an Independent Third Party, respectively immediately prior to the Reorganisation.
4. Beijing Hongkun Love Housekeeping was owned as to 51% and 49% by Beijing Hongkun and Beijing Love Housekeeping Home Economics Services Consulting Company Limited* (北京有愛管家家政服務諮詢有限公司) ("Beijing Love Housekeeping"), an Independent Third Party, respectively immediately prior to the Reorganisation.

Step 1: Prior listing and subsequent delisting of Beijing Hongkun

Listing of Beijing Hongkun on the NEEQ

On 29 June 2018, Beijing Hongkun obtained approval for its shares to be listed on the NEEQ in the PRC (stock code: 872889). Its shares started trading on the NEEQ on 1 August 2018.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Beijing Hongkun sought for the quotation of its shares on the NEEQ because its board of directors believed that a listing status on the NEEQ would enhance the profile of the company and strengthen the company's position in the industry. Beijing Hongkun's directors considered that given the entry requirements for PRC companies to have their shares listed on the NEEQ, the application for the quotation of its shares on the NEEQ would enable Beijing Hongkun to improve its corporate governance practices through understanding and participating in the listing process, in particular during the process when it strived to meet those widely accredited standards (including but not limited to legal and financial standards) required for having its shares quoted on the NEEQ. It was also believed that the NEEQ would provide an alternative financing platform for Beijing Hongkun to raise capital when needed.

Delisting of Beijing Hongkun from the NEEQ

On 27 November 2018, Beijing Hongkun's shareholders resolved to voluntarily delist Beijing Hongkun's shares from the NEEQ (the "**NEEQ Delisting**"). The NEEQ Delisting was unanimously approved by shareholders of Beijing Hongkun who were entitled to vote on the matter.

On 12 December 2018, Beijing Hongkun applied, and subsequently received regulatory approval, for the NEEQ Delisting. The NEEQ Delisting was completed on 19 December 2018. Immediately prior to the NEEQ Delisting, Beijing Hongkun had 30,000,000 shares in issue which were the same as the number of shares in issue upon listing on the NEEQ. During the listing on the NEEQ, none of the shares of Beijing Hongkun were being traded and there was no fundraising being carried out by Beijing Hongkun. As such, there was no market capitalisation during its listing on the NEEQ.

The NEEQ Delisting was a commercial and strategic decision made by Beijing Hongkun's directors based on the company's business development plans and desire to attain greater access to international investors and markets by undertaking the proposed offering and Listing on the Stock Exchange.

Compliance during listing on the NEEQ

Our Directors confirm, to the best of their knowledge, that:

- (a) during the period that Beijing Hongkun was listed on the NEEQ:
 - (i) it had been in compliance in all material respects with all applicable laws, including the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation);
 - (ii) it had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and
- (b) there are no further matters in relation to the prior listing of Beijing Hongkun that need to be brought to the attention of the Stock Exchange or our Shareholders.

Based on the results of the independent due diligence performed by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that would entail the Sole Sponsor to disagree with the views of our Directors on the reasonableness of the confirmations made by our Directors above.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Reasons for the NEEQ Delisting and Listing on the Stock Exchange

Beijing Hongkun commenced its preparation for the application for the quotation of its shares on the NEEQ in 2017. Back then, we did not have much information about the stock market in Hong Kong. It was not until we were introduced to Ms. Li Yin Ping, the sole beneficial owner of the Pre-IPO Investor, in around mid of 2018 that we came to know more about the advantages and the possibility of getting listed on the Stock Exchange. For further details of the background of the Pre-IPO Investor, please refer to “Pre-IPO Investment – Background of the Pre-IPO Investor” below in this section. After months’ of consideration, including gaining a more thorough understanding of the stock market in Hong Kong and assessing the feasibility of the Listing on the Stock Exchange, our Directors concluded that the Stock Exchange would provide our Group with a more advanced fundraising platform, on which our Shares could be freely traded by the public, institutional and retail investors worldwide, rather than limited to qualified investors in the PRC only. Our Directors considered Hong Kong to be a suitable location for listing our business as (i) Hong Kong, being a gateway between the PRC and the international market, would give us greater access to international investors and global markets, whilst still maintaining a proximity to our base of business in the PRC; and (ii) our Shares would be listed on a competitive and established exchange with a long-standing reputation as one of the leading stock exchanges globally. A listing status on such an internationally recognised stock exchange was considered to be a bigger step forward and would enable our Group to further promote our corporate profile and recognition among public investors. For these reasons, our Directors considered the NEEQ Delisting and the Listing to be in the interests of our Group, our Shareholders and Beijing Hongkun’s shareholders, as a whole.

Step 2: Deregistration of Beijing Hongkun Love Housekeeping, disposal of the entire equity interest in Hebei Norden and transfer of the entire equity interest in Beijing Cloud Era, Beijing Hongkun Valley and Hongkun (Beijing) Business Management

During the Track Record Period, we provided housekeeping services through Beijing Hongkun Love Housekeeping, which was owned as to 51% and 49% by Beijing Hongkun and Beijing Love Housekeeping, respectively, immediately prior to the Reorganisation. We eventually concluded that we would discontinue to engage in the provisions of such services with the other shareholder due to the divergence in business orientation between us and the other shareholder, and we proceeded with the deregistration of Beijing Hongkun Love Housekeeping on 13 July 2018 pursuant to a shareholders’ resolution. Beijing Hongkun Love Housekeeping was duly deregistered on a member’s voluntary basis on 23 July 2018.

During the Track Record Period, we also provided equipment repair and installation services through Hebei Norden, which was owned as to 55% and 45% by Beijing Hongkun and Guangzhou Norden, respectively, immediately prior to the Reorganisation. Given our lack of experience and expertise in the provisions of equipment repair and installation services, we relied on Guangzhou Norden for the provisions of such services, with a view to acquiring the expertise in due course. However, given the extended effort and time needed in mastering the necessary skills or hiring qualified staff, we concluded that it would no longer be economically feasible for us to continue to engage in the provisions of such services with Guangzhou Norden and decided to dispose of our interest in Hebei Norden. On 25 December 2018, Beijing Hongkun entered into an equity transfer agreement with Guangzhou Norden, pursuant to which Beijing Hongkun transferred 55% of the equity interests in Hebei Norden to Guangzhou Norden at a consideration of RMB275,000, which was determined based on the registered capital of Hebei Norden.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The disposal of Hebei Norden and the deregistration of Beijing Hongkun Love Housekeeping did not have any material impact on our business operation and financial performance, and our Directors confirm that there was no dispute between us and the other shareholder of each of Hebei Norden and Beijing Hongkun Love Housekeeping during the course of our cooperation.

For business consolidation and centralised management purpose, on 25 December 2018, Beijing Hongkun Innovation Industry, a company wholly-owned by Hongkun Jituan, entered into equity transfer agreements with Beijing Hongkun, pursuant to which Beijing Hongkun Innovation Industry agreed to transfer the entire equity interests in Beijing Cloud Era and Beijing Hongkun Valley to Beijing Hongkun at a consideration of RMB6.4 million and RMB7.3 million, respectively, which were determined with reference to their respective net asset value. On 28 December 2018, Hongkun Jituan entered into equity transfer agreement with Beijing Hongkun, pursuant to which Hongkun Jituan agreed to transfer the entire equity interest in Hongkun (Beijing) Business Management to Beijing Hongkun at a consideration of RMB5.8 million, which was determined with reference to the net asset value of Hongkun (Beijing) Business Management. Upon completion of the said transfers, Beijing Cloud Era, Beijing Hongkun Valley and Hongkun (Beijing) Business Management became our wholly-owned subsidiaries.

For further details of the corporate history and principal business of Beijing Cloud Era, Beijing Hongkun Valley and Hongkun (Beijing) Business Management, please refer to “History and development – Our principal subsidiaries” in this section above.

Step 3: Conversion of Beijing Hongkun into a limited liability company

On 29 December 2018, the shareholders of Beijing Hongkun passed resolutions approving among other matters, the conversion of Beijing Hongkun from a joint stock company with limited liability into a limited liability company. The conversion was completed on 13 February 2019 when Beijing Hongkun obtained a new business licence.

Step 4: Capital injection into Beijing Hongkun by Winz Strategy

Please refer to “Pre-IPO Investment – Investment by Winz Strategy” in this section below for details.

Step 5: Establishment of offshore holding companies by our Controlling Shareholders, our Company and our offshore subsidiaries

On 5 March 2019, Will Full was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$0.01. On the same day, Will Full allotted and issued at par 9,862 shares, 100 shares and 38 shares to Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, respectively. Will Full was then owned as to 98.62%, 1.00% and 0.38% by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, respectively.

On 5 March 2019, Ascendor Futur was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$0.01. On the same day, Ascendor Futur allotted and issued at par 10,000 shares to Will Full. Ascendor Futur has since then become a direct wholly-owned subsidiary of Will Full.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 26 March 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of our Company was HK\$390,000 divided into 39,000,000 shares of par value HK\$0.01 each. On the same day, one subscriber share of our Company was allotted and issued to Reid Services Limited, our initial subscriber and an Independent Third Party, at par, which then transferred such share to Ascendor Futur at par.

On 4 April 2019, Ye Xing Holdings was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 5,000,000 shares of US\$0.01 par value each of a single class. On the same day, Ye Xing Holdings allotted and issued at par one share to our Company. Ye Xing Holdings has since then become a direct wholly-owned subsidiary of our Company.

On 12 April 2019, Ye Xing (HK) was incorporated in Hong Kong as a limited liability company. On the same day, 10,000 shares of Ye Xing (HK) were allotted and issued to Ye Xing Holdings for a cash consideration of HK\$10,000. Ye Xing (HK) has since then become an indirect wholly-owned subsidiary of our Company.

Step 6: Transfer of the entire equity interest in Beijing Hongkun by each of Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre, Ningxia Yirun and Winz Strategy

On 20 May 2019, each of Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre, Ningxia Yirun and Winz Strategy entered into an equity transfer agreement with Ye Xing (HK) (as nominee of our Company), pursuant to which Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre, Ningxia Yirun and Winz Strategy transferred approximately 36.05%, 30.36%, 18.97%, 9.49% and 5.14%, respectively, in aggregate the entire equity interests in Beijing Hongkun to Ye Xing (HK) at an aggregate consideration of RMB31.625 million, which was determined based on the then registered share capital of Beijing Hongkun. After the said transfers, Beijing Hongkun was converted into a wholly foreign-owned subsidiary of Ye Xing (HK) and an indirect wholly-owned subsidiary of our Company.

The consideration of the above equity transfers was funded by the subscriptions of the share capital of our Company by Ascendor Futur and Winz Strategy and fully settled by cash on 2 July 2019. On 31 May 2019, each of Ascendor Futur and Winz Strategy entered into a subscription agreement, pursuant to which Ascendor Futur and Winz Strategy agreed to subscribe for 7,925 and 429 Shares at a consideration equivalent to RMB30.0 million and RMB1.625 million, respectively, which were determined with reference to the then registered share capital of Beijing Hongkun. Pursuant to the subscription agreements, the aggregate subscription price was intended to be used for funding the transfer of the entire equity interest in Beijing Hongkun to Ye Xing (HK). The aggregate subscription price was settled on 3 June 2019. Upon completion of such subscriptions, our Company was then owned as to 94.86% (7,926 Shares) and 5.14% (429 Shares) by Ascendor Futur and Winz Strategy, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 7: Subscription of the share capital of our Company by Winz Strategy

Please refer to “Pre-IPO Investment – Investment by Winz Strategy” in this section below for details.

All considerations in the Reorganisation have been fully settled. Please refer to “Corporate structure immediately before the Global Offering” in this section below for our corporate structure upon the completion of the Reorganisation.

PRE-IPO INVESTMENT

Investment by Winz Strategy

Pursuant to a capital injection agreement dated 18 February 2019, Winz Strategy acquired approximately 5.14% of the enlarged equity interest of Beijing Hongkun at a cash consideration equivalent to RMB2.6 million (equivalent to HK\$2.9725 million^{Note 1}), which was determined based on an independent valuation report, and the payment of such consideration was fully settled on 15 May 2019. Among the cash consideration equivalent to RMB2.6 million, RMB1.625 million was credited to the registered capital of Beijing Hongkun and the remaining RMB0.975 million was credited to the capital reserve of Beijing Hongkun. Upon completion of the capital injection, the registered capital of Beijing Hongkun increased from RMB30.0 million to RMB31.625 million. Beijing Hongkun was then converted into a sino-foreign joint venture enterprise and was owned by Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre, Ningxia Yirun and Winz Strategy as to approximately 36.05%, 30.36%, 18.97%, 9.49% and 5.14%, respectively. On 31 May 2019, Winz Strategy entered into a subscription agreement, pursuant to which it agreed to subscribe for 429 Shares at a consideration equivalent to RMB1.625 million, which was determined with reference to the then registered capital of Beijing Hongkun. Pursuant to the subscription agreement, such subscription price was intended to be used for funding the transfer of the entire equity interest in Beijing Hongkun to Ye Xing (HK). For further details, please refer to “The Reorganisation – Step 6: Transfer of the entire equity interest in Beijing Hongkun by each of Hongkun Jituan, Beijing Yirun Venture Capital, Beijing Hongkun Investment Centre, Ningxia Yirun and Winz Strategy” in this section above.

Note:

1. The total consideration was converted based on the exchange rate of HK\$1.0 to RMB0.87 as at 15 May 2019.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 3 June 2019, as part of the Reorganisation, our Company and Winz Strategy entered into a subscription agreement, pursuant to which Winz Strategy agreed to subscribe for 1,645 Shares at a consideration of HK\$17.0275 million. Such consideration was fully settled by cash on 6 June 2019. The Pre-IPO Investor confirmed that the consideration was financed by funds contributed by its sole shareholder (Ms. Li Yin Ping) from her own personal wealth accumulated from, among others, the returns of her various investments. Upon completion of such subscription, our Company was then owned as to 79.26% (7,926 Shares) and 20.74% (2,074 Shares) by Ascendor Futur and Winz Strategy, respectively. Details of Winz Strategy's investment (the "**Pre-IPO Investment**") are set forth below:

Pre-IPO Investor:	Winz Strategy Company Limited
Date of investments:	18 February 2019 (date of capital injection agreement) 3 June 2019 (date of subscription agreement)
Total consideration:	HK\$20.0 million
Basis of determination of the consideration:	Based on the audited net profit of Beijing Hongkun for the year ended 31 December 2017 of approximately RMB30.0 million, with the price-to-earnings ratio of approximately 3 and the investment risks assumed by Winz Strategy in investing in an unlisted company at the relevant time
Payment date:	Irrevocably settled on 6 June 2019
Investment cost per Share on the basis of the enlarged share capital of our Company upon Listing:	Approximately HK\$0.32
Discount to mid-point of the indicative Offer Price range:	Approximately 77.9%
Use of proceeds and whether the proceeds have been fully utilised:	All of the proceeds from the Pre-IPO Investment had been utilised for general working capital of our Group as at the Latest Practicable Date
Number of Shares held by the Pre-IPO Investor immediately before the Capitalisation Issue and the Global Offering ^(Note 1) :	2,074 Shares in aggregate (representing 20.74% of the total issued share capital of our Company)
Number of Shares and approximate percentage of shareholding upon Listing ^(Note 2) :	62,220,000 Shares in aggregate (representing approximately 15.55% of the total issued share capital of our Company upon Listing)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Strategic benefits to our Company: Widening of our shareholder base and in view of their experience in financial management and investment, exposure to Hong Kong capital market, and Ms. Li Yin Ping (the sole beneficial owner of the Pre-IPO Investor)'s various connections with local property developers in the Southeast Asia, we consider they will bring in strategic advice, including but not limited to, market insights and advice, as and when new business opportunities arise in such area in the future, which we believe would benefit us in understanding the differences between property management services offered by PRC and overseas companies and enhancing our business development, financial management and corporate governance as a whole

Special rights: Winz Strategy shall be entitled to appoint a director in Beijing Hongkun. Winz Strategy shall cease to have such right on the Listing Date

Notes:

1. For illustration purpose only, on the basis of our enlarged issued share capital immediately before completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).
2. For illustration purpose only, on the basis of our enlarged issued share capital immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The valuation of our Group used for determining the consideration of the Pre-IPO Investment was agreed between Beijing Hongkun and Winz Strategy pursuant to a memorandum of understanding in July 2018, upon taking into account Beijing Hongkun's net profit for the year ended 31 December 2017 of approximately RMB30.0 million, the market comparable price-to-earnings ratios of similar businesses in Hong Kong as well as the potential strategic benefits that are expected to be brought forth by the Pre-IPO Investor at the time.

Our Directors are of the view that the discount to the Offer Price given to Winz Strategy was in line with market practice, taking into consideration at that point the Pre-IPO Investor was investing in an unlisted entity back in mid 2018 and bearing the risk of any delay in the Listing process or the Listing not materialising. Our Directors also took into account the Pre-IPO Investor's experience and knowledge in the Hong Kong capital market, business network, as well as the practice in the market to determine the consideration. In addition, during the period of quotation on NEEQ from August to December 2018, none of the shares of Beijing Hongkun were being traded and there was no fundraising being carried out by Beijing Hongkun. Our Directors believe that the Pre-IPO Investment made by Winz Strategy will serve as additional working capital for our business and increase our liquidity to strengthen our Group's financial position, and the discount to the Offer Price given to Winz Strategy was determined based on arm's length negotiations at the relevant time.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of the Pre-IPO Investor

Winz Strategy, principally engaging in investment holding, is a company incorporated in the BVI with limited liability on 10 April 2017 with a total issued share capital of US\$10,000, which is wholly and beneficially owned by Ms. Li Yin Ping. Ms. Li Yin Ping was introduced to Mr. Zhao Weihao through social acquaintance in April 2018 where they had the opportunity to share the business prospect and opportunity of our Group and their investment experiences in the PRC.

Ms. Li Yin Ping has experiences in finance and capital investments and is serving as director in private companies in Hong Kong and overseas. Vibes Management Company Limited, a company indirectly owned as to 50% by Ms. Li Yin Ping, was the pre-IPO investor of Hyfusin Group Holdings Limited (stock code: 8512, whose shares are listed on GEM of the Stock Exchange) and remained one of its substantial shareholders as at the Latest Practicable Date. Please refer to “Directors and senior management – Directors – Executive Directors” in this prospectus for further details.

Ms. Li Yin Ping decided to invest in our Group after assessment of our Group’s performance in respect of (i) financial position; (ii) business nature and operations; (iii) experience in property management in the PRC; and (iv) business expansion plan.

To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Pre-IPO Investor and its ultimate beneficial owner are Independent Third Parties not engaging in any business in competition with our Group, and Ms. Li Yin Ping, the ultimate beneficial owner of Winz Strategy, had no past or present relationships or arrangements with our Group, its shareholders, directors, senior management, or any of their respective associates, other than her shareholding in our Company through Winz Strategy and her directorship in our Company subsequent to the Pre-IPO Investment.

Lock-up and public float

Winz Strategy will hold approximately 15.55% of the issued share capital of our Company and become a substantial Shareholder (has the meaning ascribed to it under the Listing Rules) upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme). As such, Winz Strategy is a core-connected person of our Company, and its interest in our Company will not be counted as public float.

Winz Strategy has agreed that, it will not, at any time during the period from the date of this prospectus to the date falling six months following the Listing, dispose of any of the Shares directly or indirectly held by it.

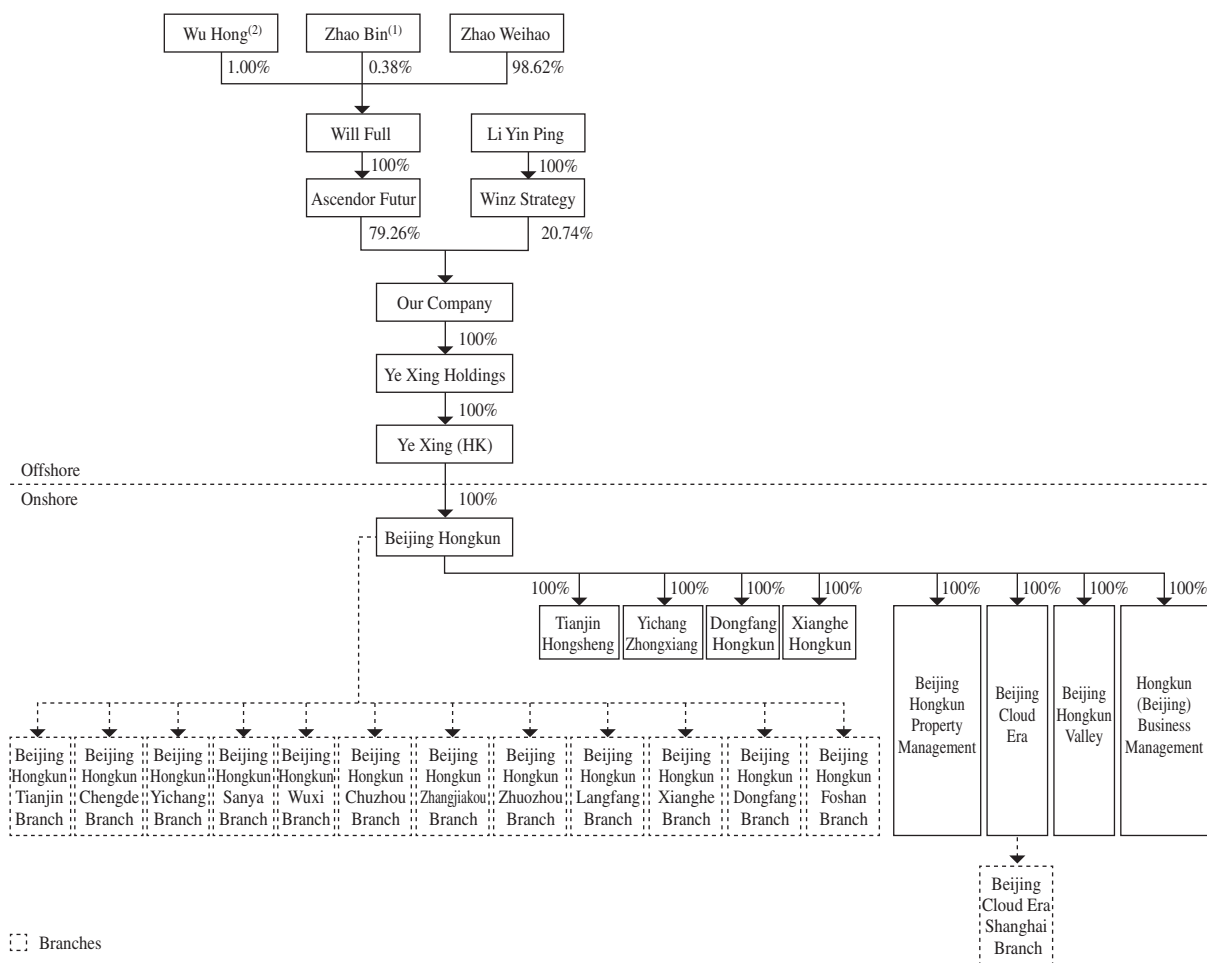
Compliance with interim guidance

The Sole Sponsor has confirmed that the terms of the Pre-IPO Investment by Winz Strategy are in compliance with (i) the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE GLOBAL OFFERING

Set forth below is the shareholding structure of our Group upon completion of the Reorganisation and immediately before the Global Offering.



Notes:

1. Mr. Zhao Bin is Mr. Zhao Weihao's father and Ms. Wu Hong's spouse.
2. Ms. Wu Hong is Mr. Zhao Weihao's mother and Mr. Zhao Bin's spouse.

The Capitalisation Issue and the Global Offering

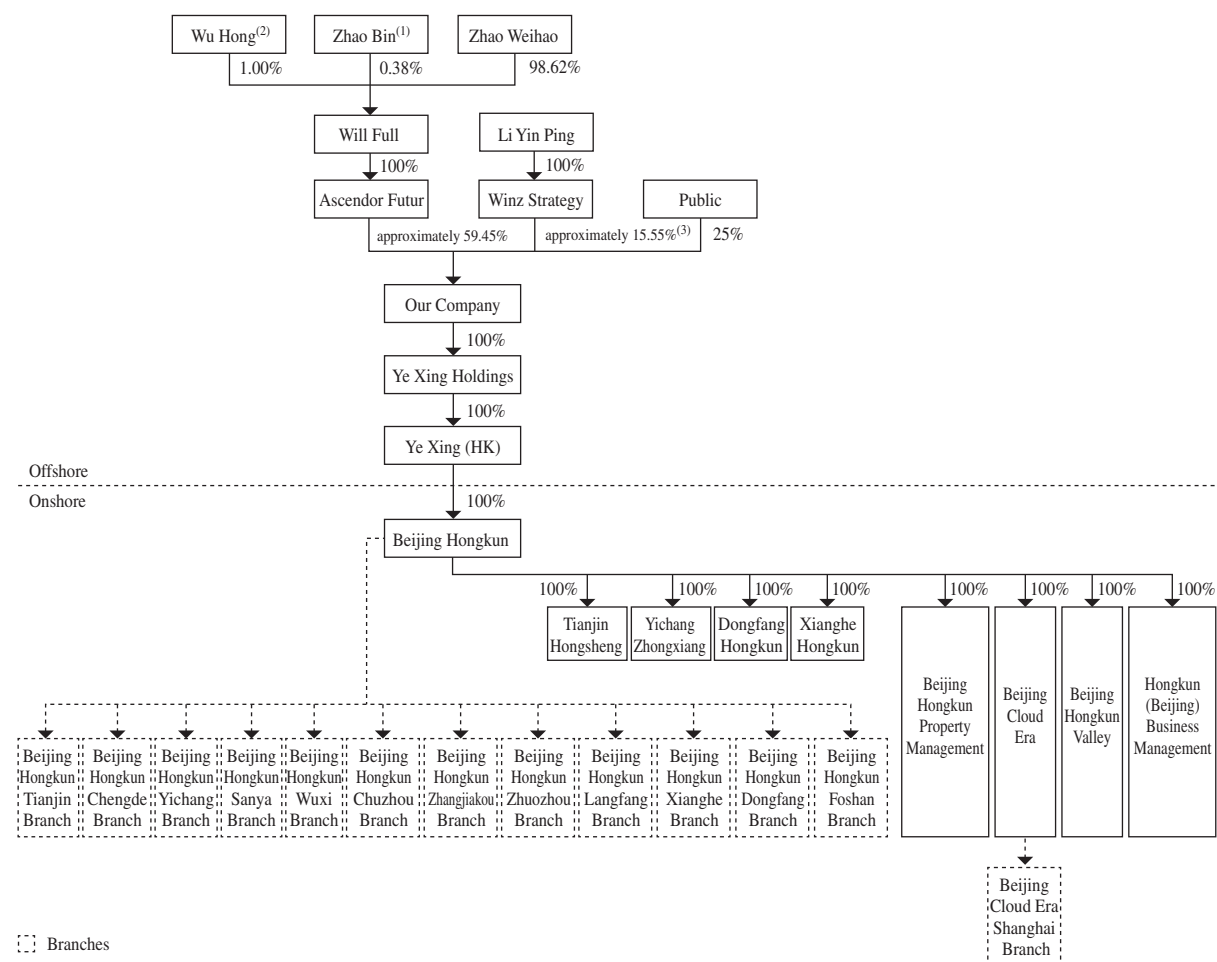
On 17 February 2020, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 Shares of par value HK\$0.01 each, by the creation of additional 461,000,000 Shares. Such Shares shall rank *pari passu* in all respects with the existing issued Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, a sum of HK\$2,999,900 standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full at par a total of 299,990,000 Shares for the allotment and issue to the Shareholders at that time in portion to their respective shareholding in our Company.

CORPORATE STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

Set forth below is the shareholding structure of our Group upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and options which may be granted under the Share Option Scheme are not exercised).



Notes:

1. Mr. Zhao Bin is Mr. Zhao Weihao's father and Ms. Wu Hong's spouse.
2. Ms. Wu Hong is Mr. Zhao Weihao's mother and Mr. Zhao Bin's spouse.
3. Shares held by Winz Strategy shall not be counted as part of public float for the purpose of Rule 8.08 of the Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

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

Our PRC Legal Advisers are of the view that the Reorganisation disclosed in this section has been conducted in compliance with applicable laws and regulations of the PRC and has been legally completed and duly registered with local registration authorities of the PRC. Our PRC Legal Advisers advised that the acquisition of the approximately 5.14% equity interest in Beijing Hongkun by Winz Strategy (the “**First Transfer**”) was subject to M&A Rules and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (“**Circular 3**”). Beijing Hongkun has obtained the record-filing receipt for the change of foreign-invested enterprises (外商投資企業變更備案回執) and the new business licence for the First Transfer pursuant to the M&A Rules and Circular 3. After the First Transfer, Beijing Hongkun became a sino-foreign joint venture enterprise. For the acquisition of the entire equity interest in Beijing Hongkun by Ye Xing (HK) from Ningxia Yirun, Beijing Yirun Venture Capital, Hongkun Jituan, Beijing Hongkun Investment Centre and Winz Strategy (the “**Second Transfer**”), our PRC Legal Advisers advised that since Beijing Hongkun had become a sino-foreign joint venture enterprise, the Second Transfer was an equity transfer in a foreign invested enterprise, and thus, the M&A Rules are not applicable to the Second Transfer. Instead, the Second Transfer shall comply with the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (外商投資企業投資者股權變更的若干規定) (the “**Rules**”) and Circular 3, and Beijing Hongkun has obtained the record-filing receipts for the change of foreign-invested enterprises (外商投資企業變更備案回執) and the new business licence for the Second Transfer pursuant to the Rules and the Circular 3. Our PRC Legal Advisers are of the view that the First Transfer has been completed in accordance with the M&A Rules and Circular 3, the Second Transfer has been completed in accordance with the Rules and the Circular 3. Our PRC Legal Advisers have confirmed that all the share transfers and increases in registered capital in respect of the PRC companies in our Group as described above have obtained all necessary government approvals and permits and the government procedures involved are in accordance with PRC laws and regulations. Our PRC Legal Advisers also confirmed that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Reorganisation.

As confirmed by our Directors, (i) our Company is an offshore incorporated company; and (ii) Beijing Hongkun was converted into a wholly-foreign owned enterprise at the time when it was acquired by Ye Xing (HK). Therefore, our PRC Legal Advisers are of the opinion that, unless as required by subsequent requests by the China Securities Regulatory Commission (the “**CSRC**”) or MOFCOM, it is not necessary for our Company to obtain approval from the CSRC or MOFCOM for the Listing of our Shares on the Stock Exchange.

SAFE registration in the PRC

Circular 37 was promulgated by SAFE on 4 July 2014 and took effect on the same day. According to Circular 37, a domestic resident (including PRC individuals and institutions) shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, register with SAFE or its local branch to effect foreign exchange registration.

Will Full and Ascendor Futur are directly or indirectly beneficially held by domestic residents of the PRC. Our PRC Legal Advisers confirmed that Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, as the ultimate shareholders of Will Full and Ascendor Futur, had all completed the initial registration on 5 May 2019 under Circular 37.

BUSINESS

OVERVIEW

We are a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. According to the CIC Report, we ranked (i) 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018; and (ii) ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018. Through upholding our service philosophy of “creating an enjoyable living environment (讓人們住的開心)” and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC. Inheriting the corporate culture of Hongkun Group, we strive to provide more than just property management services to property owners and residents. We seek to put our service philosophy into practice by offering a vast range of value-added services and organising a variety of activities in our managed properties. We take pride in creating a cosy and enjoyable living environment in the residential properties we manage and provide property owners and residents with a close-knit community with easy access to diversified services that meet their day-to-day needs. Leveraging our proven track record and experience gained from our established operations in property management services, and our understanding and knowledge of the needs of property developers and residents, we gradually expanded our scope of services to include property developer related services.

We were established in 2003 and commenced our operations in 2004 with a focus on providing property management services in the greater Beijing area. Since 2010, we have been gradually expanding our operations to the surrounding regions such as Tianjin, and Zhuozhou city and Langfang city in Hebei province. Since 2014, we expanded to the southern part of China to Dongfang city and Sanya city in Hainan province. We further expanded to the southeastern part of China to Yichang city in Hubei province in 2017, and to Shenmu city in Shaanxi province in the western part of China in 2018. As at 31 August 2019, we provided property management services to properties spanning across eight cities in the Beijing-Tianjin-Hebei Region, Hainan province, Hubei province, and Shaanxi province, managing a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties.

As a testament to the high quality of our property management services, over the years, we have received numerous awards and certifications. We have been ranked one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by CIA for four consecutive years since 2016 and we ranked 48th among the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) in 2019. In 2017, we obtained the Level One Qualification Certificate for Property Management Enterprise in the PRC* (中華人民共和國物業服務企業一級資質證書) from the MOHURD, which represents the highest level of qualification in the property management industry in the PRC. Furthermore, during the Track Record Period and up to the Latest Practicable Date, five residential properties under our management were named Property Management Industry Model Project in the PRC* (中國物業服務行業示範基地) and three residential properties in Beijing under our management were named Beijing City Property Management Model Project (Four Star)* (北京市物業管理示範項目(四星級)). Please refer to “Awards and recognition” in this section for further details.

BUSINESS

We provide three types of services, namely:

- (i) property management services – we provide property owners and residents with a variety of property management services, which mainly include: (a) repair and maintenance; (b) security; (c) cleaning and gardening; (d) management and leasing of car parking space; and (e) other property management related services for both residential and non-residential properties (which mainly include office buildings and shopping malls, shop spaces and other facilities such as stadium);
- (ii) property developer related services – our property developer related services include (a) sales assistance services; (b) pre-delivery cleaning and preparation services; (c) post-delivery repair services; and (d) planning and design consultancy and inspection services. We primarily provide such services to property developers; and
- (iii) value-added services – we provide property owners and residents with community-related value-added services ranging from home living services to other value-added services that provide convenience to the property owners and residents. In addition, we organise different community activities and events for property owners and residents to participate. Through these value-added services and activities, we aim to enhance their living experience and preservation and appreciation of the property’s value.

During the Track Record Period, we experienced a steady growth of revenue. Our revenue increased from approximately RMB116.5 million in 2016 to approximately RMB191.6 million in 2017 and further to approximately RMB251.2 million in 2018, representing a CAGR of approximately 46.8% from 2016 to 2018. Our revenue increased from approximately RMB158.1 million for the eight months ended 31 August 2018 to approximately RMB175.4 million for the eight months ended 31 August 2019, representing a growth rate of approximately 10.9%. The table below sets forth the breakdown of our revenue by types of services provided for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services										
– Residential properties	50,829	43.6	72,509	37.9	102,284	40.7	64,845	41.0	73,780	42.1
– Non-residential properties	22,961	19.7	40,674	21.2	67,017	26.7	42,488	26.9	48,809	27.8
	73,790	63.3	113,183	59.1	169,301	67.4	107,333	67.9	122,589	69.9
Property developer related services	32,858	28.2	61,337	32.0	62,487	24.9	39,259	24.8	41,235	23.5
Value-added services	9,854	8.5	17,038	8.9	19,389	7.7	11,494	7.3	11,532	6.6
Total	<u>116,502</u>	<u>100.0</u>	<u>191,558</u>	<u>100.0</u>	<u>251,177</u>	<u>100.0</u>	<u>158,086</u>	<u>100.0</u>	<u>175,356</u>	<u>100.0</u>

BUSINESS

The table below sets forth our (i) contracted GFA; (ii) revenue-bearing GFA; and (iii) number of properties under our management in relation to the properties for which we had commenced our provisions of property management services, as at the dates indicated:

	As at 31 December			As at 31 August 2019	As at the Latest Practicable Date
	2016	2017	2018		
Residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	4,382	5,449	5,805	5,805	6,705
Revenue-bearing GFA ('000 sq.m.)	2,565	3,273	3,948	4,068	4,413
Number of properties managed	13	20	21	21	24
Non-residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	699	913	1,031	1,304	1,316
Revenue-bearing GFA ('000 sq.m.)	308	473	629	785	796
Number of properties managed	6	10	15	15	17
Total					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	5,081	6,362	6,836	7,109	8,021
Revenue-bearing GFA ('000 sq.m.)	2,873	3,746	4,577	4,853	5,209
Number of properties managed	19	30	36	36	41

Note:

- (1) Contracted GFA refers to the total GFA managed and the total GFA to be managed by our Group under signed property management service agreements.

BUSINESS

The table below sets forth our (i) contracted GFA; and (ii) number of properties to be managed in relation to the properties for which we had not yet commenced our provisions of property management services, as at the dates indicated:

	As at 31 August 2019	As at the Latest Practicable Date
Residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,700	2,996
Number of properties to be managed	13	11
Non-residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	92	223
Number of properties to be managed	1	3
Total		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,792	3,219
Number of properties to be managed	14	14

Note:

- (1) Contracted GFA refers to the total GFA of the properties to be managed by our Group under signed property management service agreements.

Since the commencement of our operations in 2004, we have been predominantly providing property management services to properties developed by Hongkun Group, a well-known property developer group in the PRC. As at 31 December 2016, 2017 and 2018 and 31 August 2019 and the Latest Practicable Date, the total revenue-bearing GFA attributable to properties developed by Hongkun Group and managed by our Group was approximately 2.9 million sq.m., 3.7 million sq.m., 4.5 million sq.m., 4.8 million sq.m. and 5.2 million sq.m., respectively, representing 100.0%, 100.0%, approximately 99.1%, 99.1% and 99.0% of our total revenue-bearing GFA, respectively. According to the CIC Report, Hongkun Weiye (a member of Hongkun Group) is a leading property developer in the Beijing-Tianjin-Hebei Region and has been named one of the Top 100 Property Developers in the PRC* (中國房地產開發企業100強) for seven consecutive years since 2013.

During the Track Record Period, Parent Group was our largest customer, which contributed revenue of approximately RMB40.4 million, RMB74.7 million, RMB91.2 million and RMB59.3 million to our Group, respectively, representing approximately 34.7%, 39.0%, 36.3% and 33.8% of our total revenue, respectively.

BUSINESS

The following table sets forth a breakdown of our revenue generated from (i) Parent Group; and (ii) third party customers for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Parent Group	40,434	34.7	74,659	39.0	91,232	36.3	55,270	35.0	59,335	33.8
Third party customers	76,068	65.3	116,899	61.0	159,945	63.7	102,816	65.0	116,021	66.2
Total	<u>116,502</u>	<u>100.0</u>	<u>191,558</u>	<u>100.0</u>	<u>251,177</u>	<u>100.0</u>	<u>158,086</u>	<u>100.0</u>	<u>175,356</u>	<u>100.0</u>

During the Track Record Period, (i) our revenue from Parent Group for our provisions of property management services amounted to approximately RMB7.1 million, RMB12.7 million, RMB28.5 million and RMB18.5 million, respectively, representing approximately 9.6%, 11.2%, 16.8% and 15.1% of our total revenue from property management services, respectively; (ii) our revenue from Parent Group for our provisions of property developer related services amounted to approximately RMB32.9 million, RMB60.7 million, RMB60.6 million and RMB40.7 million, respectively, representing 100.0%, approximately 98.9%, 97.0% and 98.7% of our total revenue from property developer related services, respectively; whereas (iii) our revenue from Parent Group for our provisions of value-added services amounted to approximately RMB0.5 million, RMB1.3 million, RMB2.1 million and RMB0.1 million, respectively, representing 5.3%, 7.7%, 10.8% and 1.0% of our revenue from value-added services, respectively.

For details of our relationship with and business delineation from Parent Group, please refer to “Relationship with Controlling Shareholders and Parent Group” in this prospectus.

With the rapid development in the internet and technological world and given the prevalent use of smart phones, we recognise the trend and the need to progress to a technology-driven era. In August 2018, we launched a mobile application, Hongkunhui* 鴻坤薈, a one-stop online service platform developed by Hongkun Group which we subsequently acquired in June 2019. Hongkunhui* 鴻坤薈 allows property owners and residents to interact with us in a timely manner and to access our property management services. Through Hongkunhui* 鴻坤薈, registered property owners and residents of our managed properties can make online payment of property management fees, arrange for household repairs, report any facility malfunction or damage to the common areas, follow-up on requests and complaint made to on-site property management staff, access to our information services and community news, directly interact with our customer service staff, and provide feedbacks and recommendations for us to improve our services. Hongkunhui* 鴻坤薈 also serves as an electronic front-door key for owners, residents and, with appropriate authorisation from the owners or residents, visitors to access the property. As at 31 August 2019, Hongkunhui* 鴻坤薈 had over 28,800 registered users. With an aim to enhance the quality and efficiency of our services and to optimise our customers’ experience, we plan to continue to develop our online service platform and expand the scope of services that we may offer to property owners and residents of properties we manage.

BUSINESS

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths are crucial to our continued success and essential for our future prospects:

We are a reputable property management service provider in the PRC with a proven track record

We are a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. According to the CIC Report, we ranked (i) 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018; and (ii) ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018. We have been providing property management services in the PRC since 2004. Through upholding our service philosophy of “creating an enjoyable living environment (讓人們住的開心)” and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC. Inheriting the corporate culture of Hongkun Group, we strive to provide more than just property management services to property owners and residents of our managed properties. By offering a vast range of value-added services and organising a variety of activities in our managed properties, we seek to put our service philosophy into practice and distinguish ourselves from our competitors. We take pride in creating a cosy and enjoyable living environment in the residential properties we manage and in providing property owners and residents of the residential properties we manage with a sense of close-knit community with easy access to diversified services.

We believe that, over 15 years of operations, we have developed a brand image and reputation that are associated with high quality and reliable services. To ensure that we are able to deliver consistently high-quality services to customers, we have put in place standardised and stringent quality control measures covering various aspects of our business operations, including but not limited to delivery of property management services, selection and management of subcontractors and procurement of materials. For details of our quality control procedures, please refer to “Quality control” in this section. By providing high-quality property management services, we strive to promote the living quality of property owners and residents at our managed properties and preserve the value of their properties.

We have a proven track record in providing quality property management services, which is demonstrated by the numerous awards we have received over the years in recognition of our services and industry status. We have been ranked one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by CIA for four consecutive years since 2016 and we ranked 48th among the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) in 2019. In 2017, we obtained the Level One Qualification Certificate for Property Management Enterprise in the PRC* (中華人民共和國物業服務企業一級資質證書) from the MOHURD, which represents the highest level of qualification in the property management industry in the PRC. During the Track Record Period and up to the Latest Practicable Date, some of the residential properties we managed had received awards and recognitions from various governmental bodies and agencies for the quality of our property management services. For example, in 2016, Hongkun – Pike County* (鴻坤·派郡), Hongkun – Grand Slam* (鴻坤·大滿貫) and Hongkun – Ideal City* (禮域府), three residential properties under our management in Beijing were named Beijing City Property Management Model Project (Four Star)* (北京市物業管理示範項目(四星級)) by the Beijing Municipal Commission of Housing and Urban-Rural Development* (北

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京市住房和城鄉建設委員會)。In 2017, Hongkun Flower and Life Villa* (鴻坤 • 花語墅) and Hongkun Wood and Life Villa* (鴻坤 • 林語墅), two residential properties under our management in Beijing, were named 2017 Property Management Industry Model Project in the PRC* (2017 中國物業服務行業示範基地) by CIA. Furthermore, in the same year, Hongkun Ideal Life* (鴻坤 • 理想灣), a residential property under our management in Hebei province, was named 2017 Baoding Residential Community Management Excellence* (2017 年度保定市物業管理優秀住宅小區) by the Baoding Municipal Commission of Housing and Urban-Rural Development* (保定市住房和城鄉建設局). In 2018, Hongkun Sunrise Hills* (鴻坤 • 曦望山) in Beijing and Hongkun Ideal Coast* (鴻坤 • 理想海岸) in Hainan province, two residential properties under our management, were recognised 2018 Property Management Industry Model Project in the PRC* (2018 中國物業服務行業示範基地) by CIA while in 2019, Hongkun – Ideal Life* (鴻坤 • 理想灣), a residential property under our management in Hebei province, was recognised 2019 Property Management Industry Model Project in the PRC* (2019 中國物業服務行業示範基地) by CIA. For details of our awards and recognition, please refer to “Awards and recognition” in this section.

When we commenced our business in 2004, we predominantly provided property management services to residential properties in Beijing. Since then, we began to (i) broaden the scope of our portfolio of managed properties to cover non-residential properties; and (ii) expand our geographic presence from Beijing to the Beijing-Tianjin-Hebei Region. We experienced steady growth during the Track Record Period in terms of our total revenue-bearing GFA and revenue. Our total revenue-bearing GFA increased from approximately 2.9 million sq.m. as at 31 December 2016 to approximately 4.6 million sq.m. as at 31 December 2018, representing a CAGR of approximately 26.2%. Our total revenue-bearing GFA further increased to approximately 4.9 million sq.m. as at 31 August 2019. Our revenue increased from approximately RMB116.5 million in 2016 to approximately RMB191.6 million in 2017, and further to approximately RMB251.2 million in 2018, representing a CAGR of approximately 46.8%. Our revenue increased from approximately RMB158.1 million for the eight months ended 31 August 2018 to approximately RMB175.4 million for the eight months ended 31 August 2019, representing a growth rate of approximately 10.9%.

We believe that our history of operations and strong brand reputation have contributed and will continue to contribute to our business growth and future expansion.

Our competitiveness is enhanced through our long-term and stable business relationship with Parent Group

Parent Group is comprised of a group of companies (including Hongkun Group) controlled by our Controlling Shareholders. Hongkun Group primarily engages in property development in the PRC. According to the CIC Report, Hongkun Weiye, a member of Hongkun Group, is a leading property developer in the Beijing-Tianjin-Hebei Region and has been named one of the Top 100 Property Developers in the PRC* (中國房地產開發企業100強) for seven consecutive years since 2013. Please refer to “Relationship with Controlling Shareholders and Parent Group – Delineation of business – Parent Group” in this prospectus for further details of Parent Group.

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We manage a diverse portfolio of residential properties (which include villas, town-house, commodity properties (商品房), affordable properties (經濟適用房) and apartment buildings) and non-residential properties (which primarily comprise office buildings and shopping malls, shop spaces and other facilities such as stadium. Since the commencement of our business in 2004, we have been predominantly providing property management services to properties developed by Hongkun Group. As at 31 December 2016, 2017 and 2018 and 31 August 2019 and the Latest Practicable Date, the total revenue-bearing GFA attributable to properties developed by Hongkun Group and managed by our Group was approximately 2.9 million sq.m., 3.7 million sq.m., 4.5 million sq.m., 4.8 million sq.m. and 5.2 million sq.m., respectively, representing 100.0%, 100.0%, approximately 99.1%, 99.1% and 99.0% of our total revenue-bearing GFA, respectively. During the Track Record Period and up to the Latest Practicable Date, we were engaged by Hongkun Group to provide property management services to all the properties under the development of Hongkun Group in the PRC. Through our long-term and stable business relationship with Parent Group since 2004, we have accumulated extensive experience in providing property management and related services.

During the Track Record Period, we derived the majority of our property management services revenue from our management of properties developed by Hongkun Group, which amounted to approximately RMB73.8 million, RMB113.2 million, RMB166.5 million and RMB120.7 million, respectively, accounting for 100.0%, 100.0%, approximately 98.4% and 98.5% of our total property management services revenue, respectively.

Our long-term and stable business relationship with Parent Group has been one of the key driving factors for our business growth. We believe that our long standing business relationship with Parent Group, our proven track record and our reputation built over the years in the industry, as well as our deep understanding and knowledge of the expectations and requirements of Parent Group, will continue to position us as the preferred service company to manage the properties developed by Hongkun Group in the future. We expect that our provision of property management services for properties developed by Hongkun Group will continue to provide us with a stable source of revenue, and our competitiveness will be enhanced by the growing project reserves and portfolio of property development projects of Hongkun Group.

While the properties we managed during the Track Record period were developed principally by Hongkun Group, we have been actively seeking property management engagements from other Independent Third Party property developers. During the Track Record Period, we provided property developer related services to three Independent Third Party property developers. With our experience in managing a diversified portfolio of properties developed by Hongkun Group, we believe that this provides a solid foundation for us to explore business opportunities with third party property developers.

We have established an effective internal management system that facilitates operational efficiency and procedure standardisation

Our performance and financial stability is closely associated with our operational efficiency. We have established a standardised operation model and an effective internal management system and have put in place internal guidelines and written operating manuals in accordance with the quality standards represented by our ISO certifications, which set out our standardised operating procedures. We incorporate these guidelines and operating manuals as part of the training curriculums for our employees to ensure that they adhere to our quality standards when performing their duties.

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We have received numerous accreditations from the China Quality Certification Centre, which relate to the various aspects of our business operations: (i) GB/T 19001–2016/ISO 9001:2015 certification for quality management systems; (ii) GB/T 24001–2016/ISO 14001:2015 certification for environmental management systems; and (iii) OHSAS 18001:2007 GB/T 28001–2011 certification for occupational health and safety management systems. China Quality Certification Centre is a professional certification body under China Certification & Inspection Group approved by State General Administration for Quality Supervision and Inspection and Quarantine and Certification and Accreditation Administration of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). These certifications demonstrate that our management systems and services conform with international standards.

Furthermore, we have adopted a range of automation efforts and technological solutions, including the following, which aid the efficient management of the core aspects of our business operations:

- (i) E-control centre (E控中心) – our centralised control centre which operates 24 hours every day at our headquarters in Beijing to ensure that our services are in line with our quality standards;
- (ii) 400 hotline – our 24-hour customer service hotline which enables us to offer prompt assistance to property owners and residents of our managed properties. During the Track Record Period, we shared the use of 400 hotline with Hongkun Group. Since January 2018, the operation and management of 400 hotline were transferred to us and hence we became responsible for all costs and expenses thereafter. Subsequent to the transfer, Hongkun Group continues to engage us for use of 400 hotline at a service fee for the provisions of sale and after-sale customer enquiry hotline services in relation to specific properties developed by Hongkun Group. Please refer to “Connected transactions – (C) Non-exempt continuing connected transactions” in this prospectus for further details.
- (iii) Hongkunhui* 鴻坤薈 – our one-stop online service platform for property owners and residents of our managed properties, which enables them to have access to our services conveniently;
- (iv) H-Butler* 鴻管家 – our mobile application for internal use by our staff to efficiently access and handle our property management services; and
- (v) Automation and smart solution – we adopt artificial intelligence and automation systems to alleviate our staff from repetitive and redundant works in our daily operation. We plan to gradually adopt automated smart solutions in the management of car parks. Our long term goal is to create an integrated centralised smart solution platform where all of our public facilities can be monitored and controlled through this platform.

For details of our automated internal management systems, please refer to “Our technological initiatives” in this section.

We believe that the automation efforts and technological solutions we have adopted will gradually reduce our reliance on manual labour to provide property management services, which will in turn enhance our operational efficiency and lower our operating costs.

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We have an experienced management team with extensive industry expertise

We benefit from the leadership of our dedicated and experienced management team. We believe that our experienced management team has contributed significantly to our success and will continue to contribute to our future business growth. Our senior management team is headed by Ms. Wu Guoqing, our executive Director, who has over 17 years of experience in the property management industry in the PRC and is responsible for the overall management and business operations of our Group, including formulating strategies and operational plans, supervising the working progress of various departments, and making daily business decisions for our Group. Our market development department is led by Mr. Kong Linggong, who has over 10 years of experience in property management and deep market insights and is responsible for overseeing business development, formulating marketing strategies, and merger and acquisitions of our Group. Other members of our senior management team also have in-depth industry knowledge with relevant industry experience of over seven years. For details of the background and experience of our Directors and senior management, please refer to “Directors and senior management” in this prospectus.

We believe that with their collective experience and strong execution capabilities, our Directors and senior management can guide our Group in formulating business strategies to capture emerging opportunities in the property management industry and address evolving customer needs and preferences for property management services.

OUR BUSINESS STRATEGIES

Our goal is to strengthen our competitiveness and market position, and to increase our market share in the property management industry in the PRC. We intend to achieve our goal by pursuing the following key strategies:

Expand our geographic presence and scale of operations to broaden our revenue sources

We commenced our operations in 2004 with a focus on providing property management services in the greater Beijing area. Since 2010, we have been gradually expanding our operations to surrounding regions such as Tianjin, and Zhuozhou city and Langfang city in Hebei province. Since 2014, we have expanded to the southern part of China to Dongfang city and Sanya city in Hainan province. We further expanded to the southeastern part of China to Yichang city in Hubei province in 2017, and to Shenmu city in Shaanxi province in the western part of China in 2018. As at 31 August 2019, we provided property management services to properties spanning across eight cities in the Beijing-Tianjin-Hebei Region, Hainan province, Hubei province and Shaanxi province, managing a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties.

Leveraging our reputation and experience in property management, we intend to increase our market share by expanding our market reach in the PRC in at least five cities by 2021, by establishing branches or subsidiaries and by strategically acquiring the entire interest of local property management companies in our target areas. In terms of geographic locations, we primarily target to gain access to areas with higher population density and spending power, such as Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city.

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Subsequent to the Track Record Period, an outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first emerged in Wuhan city, Hubei province, China in late 2019 and which continues to expand within the PRC and globally. The new strain of COVID-19 is considered highly contagious and may pose a serious public health threat. Wuhan city has officially been locked-down since 23 January 2020, and draconian measures including travel restrictions have been imposed in other major cities in the PRC, as well as other countries and territories, in an effort to contain the COVID-19 outbreak. The outbreak, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC, particularly Wuhan city and Hubei province. The property market in the PRC, particularly Wuhan city and Hubei province, may be adversely impacted. The outlook of the property market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the property management market and our business operation and financial condition may be adversely affected. However, according to the CIC Report, the outbreak of COVID-19 is expected to bring limited impacts to China's property management industry in the long run due to the fact that (i) the size of the existing PRC property management market will unlikely be affected, as the current GFA under management and the property management fee rates will not be affected by the COVID-19 outbreak; and (ii) the property construction and sales activities will be delayed due to the extension of the Lunar New Year holiday in January 2020, however according to the notices announced by the State Council and the local PRC governments, the Lunar New Year holiday was only extended to 10 February 2020 and the property construction and sales activities have been gradually resumed thereafter. Please refer to "Risk factors – Our business operations may be affected by the outbreak of COVID-19 originated from Wuhan city, Hubei province, China" in this prospectus for further details. While the property market in the PRC may experience certain extent of impact as a result of the COVID-19 outbreak, given the continuous rise in the urban population and urbanisation rate in China, we believe that the demand for residential and commercial properties in areas with high population density and spending power, such as Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city will remain high. According to the CIC Report, the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run in Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city, and it is expected that once the outbreak is effectively controlled, the outlook for the demand of residential and commercial properties and related property management services in these cities will remain positive. We therefore believe that our geographical expansion plan is feasible.

All the five selected cities see adequate demand and market potential for property management services. According to the CIC Report, for the Shanghai market, the total GFA of properties under management increased from approximately 794.3 million sq.m. in 2014 to approximately 921.2 million sq.m. in 2018, representing a CAGR of approximately 3.8%, and is expected to further increase to approximately 1,082.2 million sq.m. in 2023, representing a CAGR of approximately 3.3% from 2018 to 2023. In 2017, the total GFA of commodity residential properties sold in Shanghai reached approximately 13.4 million sq.m., and the total GFA of commodity residential properties completed reached approximately 18.6 million sq.m.

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According to the CIC Report, for the Taiyuan market, the total GFA of properties under management increased from approximately 72.8 million sq.m. in 2014 to approximately 97.7 million sq.m. in 2018, representing a CAGR of approximately 7.6%, and is expected to further increase to approximately 136.5 million sq.m. in 2023, representing a CAGR of approximately 6.9% from 2018 to 2023. In 2017, the total GFA of commodity residential properties sold in Taiyuan city reached approximately 7.3 million sq.m., and the total GFA of commodity residential properties completed reached approximately 2.5 million sq.m.

According to the CIC Report, for the Foshan market, the total GFA of properties under management increased from approximately 191.4 million sq.m. in 2014 to approximately 304.4 million sq.m. in 2018, representing a CAGR of approximately 12.3%, and is expected to further increase to approximately 524.6 million sq.m. in 2023, representing a CAGR of approximately 11.5% from 2018 to 2023. In 2017, the total GFA of commodity residential properties sold in Foshan city reached approximately 20.8 million sq.m., and the total GFA of commodity residential properties completed reached approximately 7.8 million sq.m.

According to the CIC Report, for the Zhengzhou market, the total GFA of properties under management increased from approximately 390.0 million sq.m. in 2014 to approximately 521.6 million sq.m. in 2018, representing a CAGR of approximately 7.5%, and is expected to further increase to approximately 728.7 million sq.m. in 2023, representing a CAGR of approximately 6.9% from 2018 to 2023. In 2017, the total GFA of commodity residential properties sold in Zhengzhou city reached approximately 27.4 million sq.m., and the total GFA of commodity residential properties completed reached approximately 10.3 million sq.m.

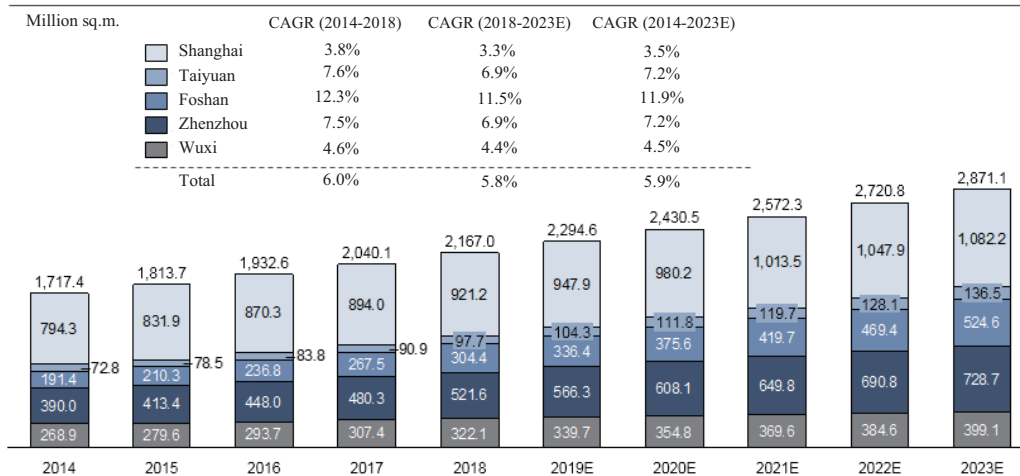
According to the CIC Report, for the Wuxi market, the total GFA of properties under management increased from approximately 268.9 million sq.m. in 2014 to approximately 322.1 million sq.m. in 2018, representing a CAGR of approximately 4.6%, and is expected to further increase to approximately 399.1 million sq.m. in 2023, representing a CAGR of approximately 4.4% from 2018 to 2023. In 2017, the total GFA of commodity residential properties sold in Wuxi city reached approximately 10.4 million sq.m., and the total GFA of commodity residential properties completed reached approximately 8.6 million sq.m.

According to the CIC Report, the competitive landscape of the property management industry in Shanghai and Foshan city is relatively concentrated and the leading players mainly consist of large-scale national enterprises. On the other hand, the competitive landscape of the property management industry in Taiyuan city, Zhengzhou city, and Wuxi city is more fragmented. Leading players in the Zhengzhou and Wuxi markets consist of both large-scale national enterprises and local enterprises, while the Taiyuan market mainly consists of local enterprises.

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The following chart sets forth the total GFA of properties under management in the selected five cities from 2014 to 2023.

Total GFA of properties under management, five designated cities, 2014-2023E



Source: CIC

Our strategy is to leverage the resources of the local property management companies in our targeted areas, as well as their industry knowledge of the local market. We consider it strategically desirable to acquire local property management companies because we can efficiently tap into new local markets and expand our market presence over a wider geographic area within a relatively shorter timeframe. In order to gain full control of our expansion plan, we currently intend not to form any joint venture or strategic alliance but to acquire the entire interest of local property management companies for the purpose of implementing such business strategy in the near future. As many of the property management companies are affiliated with certain property developers, we consider it more desirable to acquire such local property management companies, gaining not only local talents (i.e. staff) and expertise, but through such acquisition establish relationship with (i) other property developers through continued uninterrupted provision of services under contracts originally secured by the target companies; and (ii) where applicable, the formerly affiliated property developer of the acquired target company by leveraging the existing relationship or contacts between the personnel of the acquired target and that of the formerly affiliated property developer. Further, given the recent implementation of the tightening measures on the PRC property developers' selling and fund/debt raising activities, some property developers in the PRC are facing inadequate cash flow or high debt ratio problem. Our Directors believe that these property developers may need to find ways to improve their financial conditions, such as through consolidating their core business by disposing their ancillary business segments, such as their affiliated property management arm, presenting our Group with more opportunities and targets for acquisitions. We are in the process of identifying appropriate targets for acquisition, in furtherance of our expansion plan. Before making any acquisition decision, we will carefully conduct feasibility analysis by taking into account a number of factors, including but not limited to the potential target's historical performance, operation scale, key financial indicators, market position and reputation. We plan to utilise approximately 60.0%, or approximately HK\$59.4 million, of our net proceeds from the Global Offering to acquire local property management companies, in furtherance of our expansion plan in the PRC. For more information, please refer to "Future plans and use of proceeds" in this prospectus.

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We also plan to expand the scale of our operations and increase the total GFA and number of properties under our management, mainly through organic growth by leveraging our long standing and stable business relationship with Hongkun Group and tapping into the prospective outlook of the growing project reserves and portfolio of property development projects of Hongkun Group. At the same time, as we have built up our reputation in the industry over the years and given our proven track record, we believe we are well positioned to increase our market presence and we aim to achieve so by actively seeking more property management engagements from independent third party property developers.

According to the CIC Report, it is an industry norm that property management companies that are affiliated with property developers could leverage on their relationship with and increase the chance of securing service contracts from their affiliated property developers. Our Directors believe that our Group can therefore leverage our relationship with Parent Group in expanding our scale of operations in line with Parent Group's expansion.

The five selected cities identified by us for our expansion plan are areas with higher population density and spending power, which are favourable conditions for property development, thus the potential need for property management services. As such, property developers, including Parent Group, will be interested in expanding into these new markets. Based on the best knowledge of our Directors, as at the Latest Practicable Date, Parent Group had at least one property development project in each of the five selected cities coincidental to our Group's future expansion. Our Group could therefore leverage on our relationship with Hongkun Group and gain a foothold in the local property management service market through the provision of property management services to properties developed by Hongkun Group. Our Directors are of the view that given the positive outlook of the property development markets in these five cities, as our Group gradually earns our brand recognition in the region, there lies more opportunities for us to extend our services to independent property developers in the region who are seeking for the quality and scope of services that we can provide, or who are not affiliated to any property management companies.

According to the CIC Report, the nature of property management services itself is generally immune to territorial differences within the PRC. We have put in place standardised standards and operational procedures for our operations with an aim to deliver high quality standardised services to our customers irrespective of the geographical locations of the subject properties. We also consider that business connections in and market information on any local market are the crucial elements for any business seeking to expand its geographic presence to new areas. It is therefore our plan to expand our geographic presence by leveraging the resources and industry knowledge of the local property management companies in our targeted areas, such that we can take advantage of the presence of, the existing local business connections and the potential business opportunities that these local property management companies can readily and easily bring forth to us. Furthermore, we expect that Parent Group will continue to position us as the preferred service company and engage us for the provision of property management services for the properties developed by Hongkun Group in these cities and hence we believe that we will be able to establish our local presence in these cities with ease. As at the Latest Practicable Date, Hongkun Group has established subsidiaries and/or branches in each of Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city, the PRC for the purpose of carrying out the property development operations in these cities. As such, although we do not have any previous experience operating in these five targeted cities, such lack of experience will not have any negative implication on the feasibility of our expansion plan.

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During the Track Record Period and up to the Latest Practicable Date, we successfully secured two property management service agreements from Hongkun Group in respect of the properties it developed in Shanghai and Foshan city, Guangdong province, which are our targeted cities for expansion.

We plan to utilise approximately 65.0%, or approximately HK\$64.4 million, of our net proceeds from the Global Offering for our strategic geographic expansion in the PRC. For more information, please refer to “Future plans and use of proceeds” in this prospectus. In addition, we plan to utilise approximately HK\$7.2 million of our internal funds to finance such expansion in the PRC.

Further develop and enhance our information systems and technological initiatives to maximise our cost and operational efficiency and optimise our customer service

According to the CIC Report, traditionally, the property management industry in the PRC has been labour-intensive. With the rapid development in the internet and technological world, the industry has transitioned to become more technology-driven. While functional elements of property management services such as cleaning, gardening, equipment maintenance, or site security, etc., could be subcontracted out and managed through supervision, the overall management function of a property management team on site that is responsible for day-to-day operations and customers relationship management must be carried out by us. With an aim to maximise our cost and operational efficiency, we plan to continue to develop and optimise our information systems to digitalise and standardise our property management services. Furthermore, with an aim to enhance the quality and efficiency of our services and to optimise our customers’ experience, we also plan to continue to develop our one-stop online service platform.

We plan to further improve and upgrade our management systems. As we utilise a range of information systems such as Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家 in our day-to-day operations, the effective management of our business depends largely on the robustness, integrity and security of these systems. In particular, we intend to further optimise the hardware and infrastructure network of our internal management systems to increase our level of service and procedure standardisation, automation and digitalisation. To achieve this, we intend to introduce the following property management related functions, service offerings and enhancements in the future:

- (i) *expanding the one-stop online service platform Hongkunhui* 鴻坤薈*: We plan to expand the functions of Hongkunhui* 鴻坤薈, including expanding the scope of information available online to include information regarding other value-added services, as well as introducing other additional functions such as electronic door key, making reservations for events and activities, etc.;
- (ii) *introducing automated system for managing car parks*: We plan to bring forth an automated carpark management system which enhances the service quality and experience for carpark users through the use of artificial intelligence programming such as licence plate recognition programmes, which enables us to automate toll collection and other key car park management functions. The automated system also enables drivers to locate their parked vehicles;

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- (iii) *installing electronic monitoring devices and sensors to public facilities to monitor the use of different utilities such as electricity*: We plan to bring forth an automated system for carrying out mundane and repetitive functions such as taking the reading of electricity meters, and for the activation of certain pre-programmed solutions or measures to enhance the operational efficiency and ensure a smooth-running of management services; and
- (iv) *integration of all public facilities into a centralised smart solution platform*: We plan to integrate all public facilities into a single centralised platform whereby they can be monitored and controlled through such platform, thereby allowing us to swiftly respond and take appropriate actions to continuously adapt to the ever changing demands of the property owners and residents through analysing the meta-data gathered.

We believe that with enhanced standardisation and automation of various different aspects of our business operations, we are able to deliver consistently high-quality services to our customers with reduced reliance on labour, thereby maximising our cost efficiency, strengthening our operational efficiency and enhancing overall competitiveness.

We have launched a mobile application, Hongkunhui* 鴻坤薈 in August 2018 for property owners and residents of our managed properties. As at 31 August 2019, Hongkunhui* 鴻坤薈 had more than 28,800 registered users. We position Hongkunhui* 鴻坤薈 as an user-friendly and integrated one-stop online service platform for property owners and residents of our managed properties. Hongkunhui* 鴻坤薈 facilitates our interaction with property owners and residents by empowering us to address their requests in a more timely manner without them having to physically visit our reception desks for services. We intend to continue to devote resources to develop our online service platform and plan to grow the user base and enhance user engagement of Hongkunhui* 鴻坤薈. As we accumulate data from users of Hongkunhui* 鴻坤薈, we will be able to better evaluate and understand users' preference and behaviour. We believe that this will help us further develop service offerings that are better tailored for the needs and preferences of property owners and residents of our managed properties. Currently, we have made available a range of services on Hongkunhui* 鴻坤薈, which cover online payment for property management fees, service request submission, feedback and suggestion submission, access to our information services and community news and direct interaction with our customer service staff. We will continue to broaden the variety of service offerings and functions that we may offer on Hongkunhui* 鴻坤薈 to optimise our users' experience. To further enhance users' satisfaction, we also plan to collaborate with business partners to bring in a wider scope of functions to our Hongkunhui* 鴻坤薈, such as travel agency services and other types of value-added services.

We plan to utilise approximately 13.0%, or approximately HK\$12.9 million, of our net proceeds from the Global Offering for developing and enhancing our information systems and technological initiatives in order to maximise our cost and operational efficiency and optimise our customer's experience and satisfaction, amongst which, (i) approximately HK\$2.4 million, representing approximately 2.4% of the net proceeds from the Global Offering will be used for expanding the functions of our mobile applications Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家; (ii) approximately HK\$4.5 million, representing approximately 4.5% of the net proceeds from the Global Offering will be used for expanding our new automated carpark management system in some of our managed residential properties; and (iii) approximately HK\$6.0 million, representing approximately 6.1% of the net proceeds from the Global Offering will be used for developing a centralised smart solution platform. For more information, please refer to "Future plans and use of proceeds" in this prospectus.

Expand our value-added services to foster a sense of community among property owners and residents in our managed properties

As in all service industry, we believe that the ability to provide personalised and thoughtful value-added services that are tailored for the users' needs is a key to success. We believe that our success depends largely on our ability to deliver consistent and high-quality services to customers. Since the commencement of our business in 2004, through upholding our service philosophy of “creating an enjoyable living environment (讓人們住的開心)” and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC. Inheriting the corporate culture of Hongkun Group, we are committed to providing quality property management services to property owners and residents of the properties we manage. As a property management service provider, we are at the forefront of enriching the living experience of property owners and residents. We seek to build and maintain a vibrant neighbourhood, as well as a close-knit community among property owners and residents. To this end, we strive to provide a vast variety of value-added service offerings in our managed properties to accommodate the needs of property owners and residents on a daily basis. Based on our service philosophy, we organise a variety of activities and community events for property owners and residents in our managed properties from time to time, such as celebrations during festive seasons, sports events as well as local day tours. For example, every Chinese New Year we deliver new year calligraphic couplets to residents to express our new year greetings and best wishes. We also organise free hair cutting and bicycle repairing services to the elderly residents on Lei Fengri* (雷鋒日) in March. Every April, we organise greening activities on or around Arbor Day for residents to participate in the planting and greening of their local communities. For Dragon Boat festival in May, we organise rice dumpling wrapping competition for residents to participate. On Children's Day (1 June), we organise different events to encourage children to participate in community development, such as to serve as a “one-day cleaner” or “one-day doorman” etc. within the community. For Mid-autumn festival, the gala we organise is one of the highlights of our community activities where the turn-out rate of the residents participating in the performance is usually high. During spring and autumn seasons, in particular Chungyeung festival, where the weather is best for outdoor activities, we organise hiking activities and excursions. We also make use of the week-long National Day holidays to organise a variety of activities and entertainment for the residents. To promote environmental protection and reduce waste, we would organise flea markets for residents to exchange used items.

In addition to a variety of community activities we organise, we also offer other paid value-added services to property owners and residents to meet their day-to-day needs, such as heating and air-conditioning services, utilities charges collection services, indoor repair and maintenance services, housekeeping services, etc. Furthermore, to provide the property owners and residents with easy access to home improvement ideas and resources, we collaborate with third-party suppliers of design and renovation services, furniture and refurbishment materials etc. by leasing venue to them for showcasing to and interacting with the property owners and residents. We believe that through organising community activities and events which encourage and welcome the property owners and residents to participate, and providing community-related value-added services which provide the property owners and residents with easy access and convenience to their daily needs, we can greatly enhance and optimise the property owners and residents' living experience and satisfaction.

BUSINESS

We will continue to foster a sense of community among property owners and residents of our managed properties and with an aim to create an enjoyable living environment, we will continue to bring in diversified value-added services for our managed properties. Such diversified value-added services include group procurement services and travel information sharing and referral services. We would seek cooperation with other service providers in the provisions of these value-added services, whereby we will provide the venue and promotional services for the provisions of the value-added services. We also plan to enhance and utilise our mobile application Hongkunhui* 鴻坤薈 as a platform for us to provide services to property owners and residents. We plan to gradually expand the functions of Hongkunhui* 鴻坤薈 to facilitate our provisions of value-added services, such as our utilities charges collection services, as well as a reservation function for leasing common areas in our managed properties and turn-key move-in services (拎包入住服務). We also plan to utilise Hongkunhui* 鴻坤薈 to provide multimedia information regarding seasonal items and daily necessities that will be provided by us directly to property owners and residents. As advised by our PRC Legal Advisers, if the information is provided to the property owners and residents free of charge on Hongkunhui* 鴻坤薈, and the seasonal items and daily necessities are provided directly by us, then the provisions of our value added services through Hongkunhui* 鴻坤薈 fall within the category of non-commercial internet information services, and therefore we are not required to apply for a license for value-added telecommunication services of internet information services. Our PRC Legal Advisers further advised that as what we will sell on Hongkunhui* 鴻坤薈 are seasonal items and daily necessities, we are not required to obtain any licence. In particular, we plan to develop a multifaceted ecosystem in our managed properties that offers community services in various areas, such as cultural, social community, health and wellbeing, and educational. We believe that the comfort living of property owners and residents increasingly depends on the availability of different types of services, information and activities in multifaceted areas that cater to their individual needs. Therefore, we believe that a multifaceted ecosystem of services, information and activities to be provided online or offline, whether by us directly or by other value-added services providers, could address the multilateral needs and enhance the user experience of the property owners and residents. To this end, we plan to explore cooperation opportunities with different business partners to bring in relevant products and services.

We plan to utilise approximately 10.0% or approximately HK\$9.9 million, of our net proceeds from the Global Offering for expanding our value-added services. For more information, please refer to “Future plans and use of proceeds” in this prospectus.

Enhance our service quality through training, promotion and other incentives

We place great emphasis on maintaining a high quality standard of service, in addition to maintaining our brand image and our reputation as a quality property management service provider in the PRC. Staff commitment to our core values are instrumental to our success. To support our geographic expansion and growth of our business, we will continue to strengthen and equip our staff with up-to-date knowledge and skills necessary to the smooth delivery of the ever-diversifying types of services that we introduced to facilitate the comfort living of property owners and residents. To retain talents we will continue to offer competitive remuneration packages and provide internal promotion opportunities with an aim to align their long-term interests with ours. We believe that strengthening the skills, motivation and cooperation among our staff can enhance their efficiency, loyalty, job satisfaction, service quality, and thereby enhance our brand image and overall business operations.

BUSINESS

We plan to utilise approximately 2.0%, or approximately HK\$2.0 million, of our net proceeds from the Global Offering for staff development. For more information, please refer to “Future plans and use of proceeds” in this prospectus.

Enhance our brand image and increase brand awareness through increased marketing and promotion efforts

We place great emphasis on maintaining our brand image and building up our reputation as a quality property management service provider in the PRC. During the Track Record Period, we primarily promoted our brand and services on our website and bulletin boards in our managed properties. We believe that we have successfully established ourselves as a proficient property management service providers in locations in which we operate. To further enhance our brand image, increase the brand awareness among our customers and effectively expand our geographic presence in the PRC, we plan to intensify our marketing and promotion efforts, primarily through our mobile application Hongkunhui* 鴻坤薈, self-media websites, Weixin public blogs and websites of the property management industry, participation in expositions and competition within the property management industry, attending property management related summits, participation in quality evaluation and exchanges and meetings within the property management industry, and taking part in community services. We believe that by cultivating a distinctive brand image and enhancing our brand awareness, we will enhance our ability in securing future property management engagements, broadening the scope of independent third party property developers seeking services from us and expanding our geographic presence.

We plan to utilise our internal funds to finance our marketing and promotion efforts.

OUR BUSINESS MODEL

We are a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. Through upholding our service philosophy of “creating an enjoyable living environment (讓人們住的開心)” and our dedication to our core values of “friendliness, persistence, innovation and excellence” in delivering our services, we envision to become an outstanding property management service provider in the PRC. Inheriting the corporate culture of Hongkun Group, we strive to provide more than just property management services to property owners and residents of our managed properties. We seek to put our service philosophy into practice by offering a vast range of value-added services and organising a variety of activities in our managed properties. We take pride in creating a cosy and enjoyable living environment in the residential properties we manage and provide property owners and residents of the residential properties we manage with a close-knit community and easy access to diversified services that meet their day-to-day needs.

BUSINESS

As at 31 August 2019, we provided property management services to properties in eight cities spanning across the Beijing-Tianjin-Hebei Region, Hainan province, Hubei province, and Shaanxi province, with a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties. During the Track Record Period and up to the Latest Practicable Date, we provided three types of services, namely (i) property management services; (ii) property developer related services; and (iii) value-added services.

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

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Property management services										
– Residential properties	50,829	43.6	72,509	37.9	102,284	40.7	64,845	41.0	73,780	42.1
– Non-residential properties	22,961	19.7	40,674	21.2	67,017	26.7	42,488	26.9	48,809	27.8
	73,790	63.3	113,183	59.1	169,301	67.4	107,333	67.9	122,589	69.9
Property developer related services	32,858	28.2	61,337	32.0	62,487	24.9	39,259	24.8	41,235	23.5
Value-added services	9,854	8.5	17,038	8.9	19,389	7.7	11,494	7.3	11,532	6.6
Total	<u>116,502</u>	<u>100.0</u>	<u>191,558</u>	<u>100.0</u>	<u>251,177</u>	<u>100.0</u>	<u>158,086</u>	<u>100.0</u>	<u>175,356</u>	<u>100.0</u>

BUSINESS

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

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Beijing-Tianjin-Hebei Region										
- Beijing	74,541	64.0	112,241	58.6	131,774	52.5	81,562	51.6	93,060	53.1
- Tianjin	8,858	7.6	18,860	9.8	36,574	14.6	23,462	14.8	24,713	14.1
- Hebei province	26,680	22.9	43,545	22.8	51,602	20.5	33,947	21.5	38,037	21.7
Subtotal	110,079	94.5	174,646	91.2	219,950	87.6	138,971	87.9	155,810	88.9
Other regions										
- Hainan province	6,423	5.5	11,602	6.1	11,950	4.8	6,555	4.1	7,154	4.1
- Hubei province	-	-	2,935	1.5	11,301	4.5	7,287	4.6	6,532	3.7
- Jiangsu province	-	-	1,024	0.5	2,209	0.9	1,478	0.9	2,051	1.2
- Anhui province	-	-	1,351	0.7	2,980	1.2	1,895	1.2	1,922	1.1
- Shaanxi province	-	-	-	-	2,787	1.0	1,900	1.3	1,887	1.0
Subtotal	6,423	5.5	16,912	8.8	31,227	12.4	19,115	12.1	19,546	11.1
Total	116,502	100.0	191,558	100.0	251,177	100.0	158,086	100.0	175,356	100.0

During the Track Record Period, approximately 94.5%, 91.2%, 87.6% and 88.9% of our total revenue was generated from our services provided in the Beijing-Tianjin-Hebei Region, respectively. We expect that our properties in the Beijing-Tianjin-Hebei Region will continue to contribute a substantial proportion of our revenue in the near future. To facilitate our geographical expansion, we had established 13 principal branches across the PRC as at the Latest Practicable Date. For details of these branches, please refer to “History, Reorganisation and corporate structure” in this prospectus. We believe that the establishments of such branches prepared us for further expansion of our operations and enable us to better capitalise on economies of scale.

Property management services

We provide a wide range of property management services to property owners and residents of our managed properties, including (i) repair and maintenance services; (ii) security services; (iii) cleaning and gardening services; (iv) management and leasing of car parking space; and (v) other property management related services. During the Track Record Period we managed both residential and non-residential properties, including office buildings and shopping malls, shop spaces and other facilities such as stadium. During the Track Record Period, approximately 63.3%, 59.1%, 67.4% and 69.9% of our total revenue was generated from the provisions of property management services, respectively.

BUSINESS

Property developer related services

We provide property developers with property developer related services, including (i) sales assistance services; (ii) pre-delivery cleaning and preparation services; (iii) post-delivery repair services; and (iv) planning and design consultancy and inspection services. During the Track Record Period, we mainly provided our property developer related services to Hongkun Group, and had expanded to provide such services to third party property developers since 2017.

The table below sets forth the breakdown of our revenue derived from the provisions of property developer related services to (i) Hongkun Group; and (ii) third party property developers for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017	2018	2018	%	2018	%	2019	%
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property developer related services to:										
- Hongkun Group	32,858	100.0	60,676	98.9	60,609	97.0	38,226	97.4	40,685	98.7
- Third party property developers	-	-	661	1.1	1,878	3.0	1,033	2.6	550	1.3
Total	<u>32,858</u>	<u>100.0</u>	<u>61,337</u>	<u>100.0</u>	<u>62,487</u>	<u>100.0</u>	<u>39,259</u>	<u>100.0</u>	<u>41,235</u>	<u>100.0</u>

Value-added services

As a means to enhance our residents' experience and to promote a sense of community, we provide value-added services catered for the daily needs of property owners and residents of our managed properties, which include (i) home living services such as utilities charges collection services, provisions of air-conditioning and heating, and household repair and maintenance services; and (ii) the leasing of common areas.

During the Track Record Period, we provided equipment repair and installation services through Hebei Norden, which was established in July 2017 and was owned as to 55% and 45% by us and Guangzhou Norden, respectively. We subsequently disposed our 55% interest in Hebei Norden to Guangzhou Norden in December 2018 and we have accordingly ceased to provide such services.

During the Track Record Period, we also provided housekeeping services through our non wholly-owned subsidiary, Beijing Hongkun Love Housekeeping. We ceased to provide housekeeping services after the deregistration of Beijing Hongkun Love Housekeeping in July 2018.

BUSINESS

The disposal of Hebei Norden and the deregistration of Beijing Hongkun Love Housekeeping did not have any material impact on our business operation and financial performance. The following table sets forth a breakdown of our revenue derived from our value-added services for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017		2018		2018		2019	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Home living services	6,337	64.3	9,290	54.5	10,386	53.6	5,478	47.7	6,676	57.9
Leasing of common areas	2,857	29.0	5,188	30.4	5,180	26.7	3,041	26.5	4,645	40.3
Equipment repair and installation services	-	-	-	-	2,798	14.4	2,798	24.3	-	-
Housekeeping services	-	-	1,178	6.9	99	0.5	99	0.9	-	-
Others	660	6.7	1,382	8.2	926	4.8	78	0.6	211	1.8
Total	9,854	100.0	17,038	100.0	19,389	100.0	11,494	100.0	11,532	100.0

We collaborate with third party suppliers for the provisions of some of our value-added services. We also make use of the common areas to organise community events and facilitate residents in organising community activities such as residents' marathon, sports matches and other recreational and festive celebrations.

As part of our technological development, in August 2018, we launched the mobile application Hongkunhui* 鴻坤薈, a one-stop online service platform, allowing registered property owners and residents of our managed properties to access our property management services.

Through these community-related value-added services and community activities and events, we look to improve and enhance our service quality and our customers' experience and satisfaction, and to provide and promote harmony and a healthy lifestyle among residents.

PROPERTY MANAGEMENT SERVICES

Overview

We commenced our operations in 2004 with a focus on providing property management services in the greater Beijing area. Since 2010, we have been gradually expanding our operations to the surrounding regions such as Tianjin, Zhuozhou city and Langfang city in Hebei province. Since 2014, we expanded to the southern part of China to Dongfang city and Sanya city in Hainan province. We further expanded to the southeastern part of China to Yichang city in Hubei province in 2017, and to Shenmu city in Shaanxi province in the western part of China in 2018. As at 31 August 2019, we provided property management services to properties in eight cities spanning across in the Beijing-Tianjin-Hebei Region, Hainan province, Hubei province and Shaanxi province, managing a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties.

BUSINESS

The table below sets forth our (i) contracted GFA; (ii) revenue-bearing GFA; and (iii) the number of properties under our management as at the dates indicated in relation to the properties for which we had commenced our provisions of property management services:

	As at 31 December			As at	As at the
	2016	2017	2018	31 August	Latest
				2019	Practicable
					Date
Residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	4,382	5,449	5,805	5,805	6,705
Revenue-bearing GFA ('000 sq.m.)	2,565	3,273	3,948	4,068	4,413
Number of properties managed	13	20	21	21	24
Non-residential properties					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	699	913	1,031	1,304	1,316
Revenue-bearing GFA ('000 sq.m.)	308	473	629	785	796
Number of properties managed	6	10	15	15	17
Total					
Contracted GFA ⁽¹⁾ ('000 sq.m.)	5,081	6,362	6,836	7,109	8,021
Revenue-bearing GFA ('000 sq.m.)	2,873	3,746	4,577	4,853	5,209
Number of properties managed	19	30	36	36	41

Note:

- (1) Contracted GFA refers to the total GFA managed and the total GFA to be managed by our Group under signed property management service agreements.

BUSINESS

The table below sets forth our (i) contracted GFA; and (ii) number of properties to be managed in relation to the properties for which we had not yet commenced our provisions of property management services, as at the dates indicated:

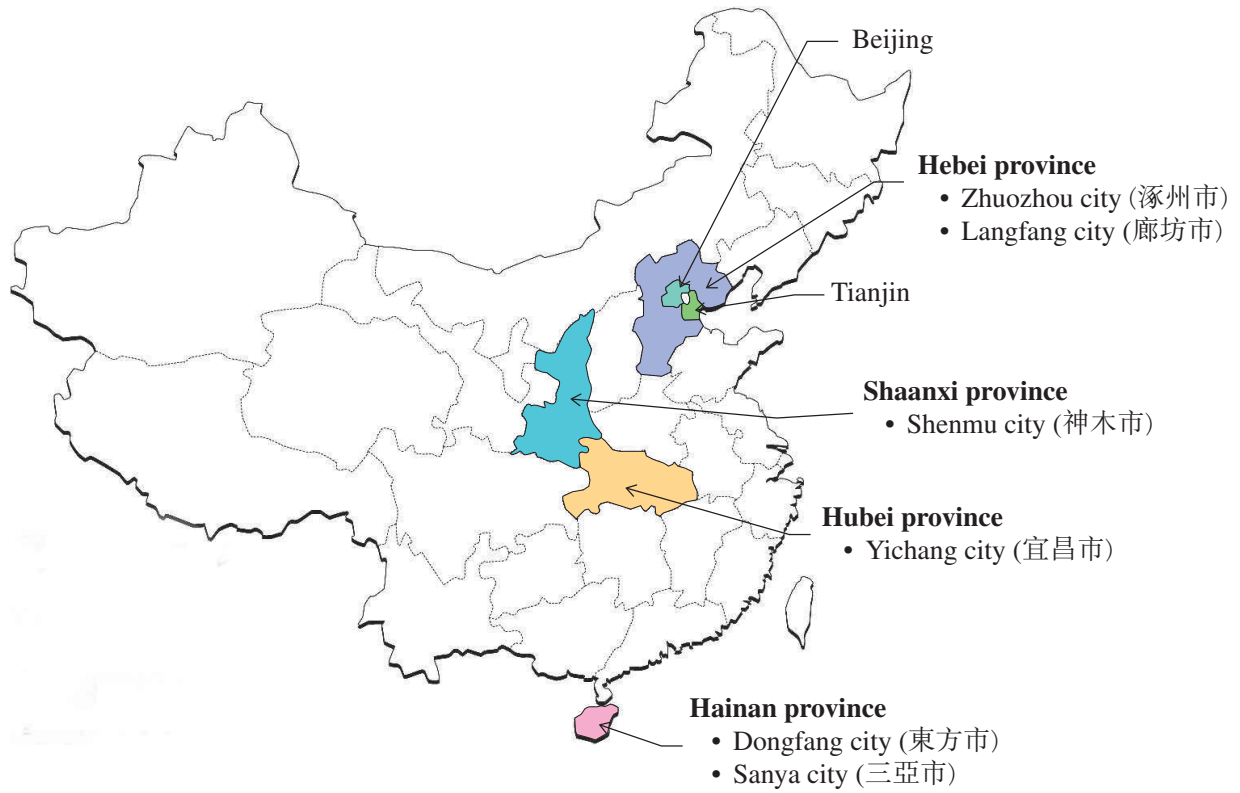
	As at 31 August 2019	As at the Latest Practicable Date
Residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,700	2,996
Number of properties to be managed	13	11
Non-residential properties		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	92	223
Number of properties to be managed	1	3
Total		
Contracted GFA ⁽¹⁾ ('000 sq.m.)	3,792	3,219
Number of properties to be managed	14	14

Note:

- (1) Contracted GFA refers to the total GFA of the properties to be managed by our Group under signed property management service agreements.

Our geographic presence

The following map illustrates the geographical coverage of the properties we managed as at 31 August 2019:



BUSINESS

The following table sets forth the breakdown of (i) residential and non-residential properties under our management; (ii) location of properties; (iii) month and year of commencement of provisions of property management services; (iv) type of property; (v) the revenue-bearing GFA; and (vi) the number of residential units under our management as at the dates indicated:

Name of property managed	City	Month and year of commencement of provisions of property management services	Type	As at 31 August 2019		As at the Latest Practicable Date	
				Revenue-bearing GFA '000 sq.m.	Residential units	Revenue-bearing GFA '000 sq.m.	Residential units
Beijing							
1. Hongkun Pike County* (鴻坤·派郡) [#]	Beijing	June 2009	Residential	59.6	435	59.6	435
2. Hongkun Grand Slam* (鴻坤·大滿貫) [#]	Beijing	September 2010	Residential	79.8	724	79.8	724
3. Hongkun Ideal City* (鴻坤·禮域府) [#]	Beijing	May 2012	Residential	296.9	2,745	296.9	2,745
4. Hongkun Sunrise Hills* (鴻坤·曠望山) [#]	Beijing	March 2014	Residential	93.6	814	93.6	814
5. Hongkun Wood and Life Villa* (鴻坤·林語墅)	Beijing	August 2014	Residential	110.4	262	110.4	262
6. Hongkun Flower and Life Villa* (鴻坤·花語墅)	Beijing	May 2015	Residential	42.8	221	42.8	237
7. Hongkun Ideal Home* (鴻坤·理想家園)	Beijing	June 2012	Residential	189.0	3,588	189.0	3,588
8. Ruihai Home* (瑞海家園)	Beijing	August 2004	Residential	418.2	4,730	418.2	4,730
9. Hongkun Grand Changan* (七星長安)	Beijing	October 2017	Residential	3.2	56	3.2	56
10. Hongkun Plaza Office Building C* (鴻坤廣場C辦公樓)	Beijing	December 2018	Non-residential	15.4	–	15.4	–
11. Hongkun Stadium* (鴻坤·體育公園)	Beijing	January 2016	Non-residential	20.7	–	20.7	–
12. Hongkun Plaza Office Building D* (鴻坤廣場D辦公樓)	Beijing	May 2018	Non-residential	10.8	–	10.8	–
13. Hongkun Plaza Office Buildings A and B* (鴻坤廣場AB辦公樓)	Beijing	May 2015	Non-residential	40.1	–	40.1	–
14. Hongkun Plaza Shopping Centre* (鴻坤廣場購物中心)	Beijing	January 2014	Non-residential	101.5	–	101.5	–
15. Hongkun Value Town* (鴻坤·金融谷)	Beijing	February 2016	Non-residential	112.4	–	112.4	–
16. Hongkun – I-Cloud Times* (鴻坤·雲時代)	Beijing	February 2016	Non-residential	109.8	–	109.8	–
17. Hongkun – Wisdom Valley* (鴻坤·智谷)	Beijing	January 2017	Non-residential	45.0	–	45.0	–
18. Hongkun – Zhongkuang Huafei* (鴻坤·中礦華飛)	Beijing	January 2017	Non-residential	17.3	–	17.3	–
19. Xihongmen Hongkun – Wisdom Valley* (西紅門鴻坤·智谷)	Beijing	September 2017	Non-residential	73.0	–	73.0	–
20. Hongkun – Sun Time* (順景總部公元)	Beijing	September 2017	Non-residential	4.6	–	4.6	–
21. Hongkun – Bio-med Valley* (鴻坤·生物醫藥谷)	Beijing	November 2018	Non-residential	27.7	–	27.7	–
22. Hongkun – International Biomedical Park* (鴻坤·國際生物醫藥園)	Beijing	July 2019	Non-residential	158.5	–	158.5	–
	Subtotal			2,030.3	13,575	2,030.3	13,591
Tianjin							
23. Hongkun Original County* (鴻坤·原鄉郡)/(鴻苑花園)	Tianjin	May 2016	Residential	238.0	2,043	238.0	2,043
24. Hongkun Original Peninsula* (鴻坤·原鄉半島)/(觀瀾花苑)	Tianjin	August 2017	Residential	84.1	604	84.1	938
25. Hongkun Dreamland of Town* (鴻坤·原鄉小鎮)/(理想花園)	Tianjin	November 2017	Residential	76.2	1,012	76.2	1,012
26. Hongjia Plaza* (鴻嘉廣場) (Notes 1 and 2)	Tianjin	January 2018	Non-residential	48.4	–	48.4	–
27. Hongyuan Plaza* (鴻源廣場) (Notes 1 and 2)	Tianjin	January 2018	Non-residential	N/A	–	N/A	–
	Subtotal			446.7	3,659	446.7	3,993

BUSINESS

Name of property managed	City	Month and year of commencement of provisions of property management services	Type	As at 31 August 2019		As at the Latest Practicable Date	
				Revenue-bearing GFA '000 sq.m.	Residential units	Revenue-bearing GFA '000 sq.m.	Residential units
Hebei province							
28. Hongkun Rhone Valley* (鴻坤 • 果嶺墅)/(理想陽光)	Langfang	December 2012	Residential	489.3	2,039	489.3	2,039
29. Hongkun Dream Valley* (鴻坤 • 原鄉溪谷)/(理想嘉業)	Langfang	October 2017	Residential	141.6	998	196.6	998
30. Hongkun Romantic Bay* (鴻坤 • 理想瀾灣)/(理想家苑)	Langfang	November 2017	Residential	127.7	1,433	128.0	1,437
31. Shinkansen* (新幹綫)	Zhuozhou	April 2017	Residential	297.9	3,076	325.0	3,105
32. Hongkun Ideal Life* (鴻坤 • 理想灣)	Zhuozhou	October 2015	Residential	487.0	4,921	487.0	4,921
33. Zhuozhou High-speed New Harbour* (涿州高鐵新維港)	Zhuozhou	October 2019	Residential	-	-	30.0	247
34. Xianghe Yunda Express Base* (香河•韻達物流基地) [△]	Langfang	September 2019	Non-residential	-	-	10.0	-
35. Chengde Bishu Cultural Industry Park* (承德避暑文化產業園區) [△]	Chengde	September 2019	Non-residential	-	-	1.1	-
	Subtotal			1,543.5	12,467	1,667.0	12,747
Hubei province							
36. National Guest No. 1* (國賓一號) ^(Note 2)	Yichang	September 2017	Residential	336.6	1,830	336.6	1,830
Hainan province							
37. Hongkun Ideal Coast* (鴻坤 • 理想海岸) [#]	Dongfang	November 2015	Residential	269.1	4,496	269.1	4,496
38. Hongkun Landscape Villa* (鴻坤 • 山海墅)	Sanya	October 2015	Residential	185.2	2,707	185.2	2,707
	Subtotal			454.3	7,203	454.3	7,203
Shaanxi province							
39. Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) [△]	Shenmu	January 2018	Residential	41.8	1,027	41.8	1,027
Anhui province							
40. Hongkun Ideal City* (鴻坤 • 理想城)	Chuzhou	January 2020	Residential	-	-	147.9	75
Jiangsu province							
41. Wuxi Ideal Bay* (無錫理想灣)	Wuxi	January 2020	Residential	-	-	84.5	206
	Total			4,853.2	39,761	5,209.1	40,672

Property management projects under commission basis

△ Properties developed by third party property developers

Notes:

- Hongjia Plaza* (鴻嘉廣場) and Hongyuan Plaza* (鴻源廣場) are managed as a single property with a total revenue-bearing GFA of approximately 48,400 sq.m. as at the Latest Practicable Date.
- National Guest No. 1* (國賓一號) was acquired by Hongkun Group in September 2017. Hongjia Plaza* (鴻嘉廣場) and Hongyuan Plaza* (鴻源廣場) were acquired by Hongkun Group in January 2018.

BUSINESS

Portfolio of properties under management

We manage a diversified portfolio of properties, ranging from affordable properties (經濟適用房) to high-end residential communities with villas, and non-residential properties, including office buildings, shopping malls, shop spaces and other facilities such as stadium.

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

	2016		As at/Year ended 31 December						As at/Eight months ended 31 August						2019										
	Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue										
	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%									
Residential	2,565	89.3	13	50,829	68.9	3,273	87.4	20	72,509	64.1	3,948	86.3	21	102,294	60.4	3,591	86.0	21	64,845	60.4	4,068	83.8	21	73,700	60.2
Non-residential	308	10.7	6	22,961	31.1	473	12.6	10	40,674	35.9	629	13.7	13	67,017	39.6	506	14.0	11	42,488	39.6	785	16.2	15	48,809	39.8
Total	2,873	100.0	19	73,790	100.0	3,746	100.0	30	113,183	100.0	4,577	100.0	36	169,311	100.0	4,177	100.0	34	107,333	100.0	4,853	100.0	36	122,509	100.0

In addition to expanding geographically, we continue to look for opportunities to manage more non-residential properties. During the Track Record Period, the total revenue-bearing GFA of non-residential properties managed by us steadily increased from approximately 0.3 million sq.m. as at 31 December 2016 to approximately 0.8 million sq.m. as at 31 August 2019. We expect a gradual growth in the revenue-bearing GFA of non-residential properties under our management in the future. We believe that our experience and recognition that we have garnered from managing office buildings and shopping malls, shop spaces and other facilities such as stadium will help us secure other non-residential property management service agreements in the future.

The following table sets forth the movement of (i) our revenue-bearing GFA; and (ii) the number of properties managed during for the periods indicated:

	Year ended 31 December						Eight months ended		After the Track Record Period	
	2016		2017		2018		31 August		and up to the Latest	
	Revenue-bearing GFA	Number of properties managed	Revenue-bearing GFA	Number of properties managed	Revenue-bearing GFA	Number of properties managed	Revenue-bearing GFA	Number of properties managed	Revenue-bearing GFA	Number of properties managed
At the beginning of the year/period	2,746	18	2,873	19	3,746	30	4,577	36	4,853	36
Addition	127	1	873	11	1,109	8	279	1	356	5
Terminated	-	-	-	-	(278)	(2)	(3)	(1)	-	-
Expired	(461)	(2)*	-	-	(101)	(3)	(1,235)	(5)*	(337) [#]	(1)
Renewed	461	2*	-	-	101	3	1,235	5*	337 [#]	1
As at the end of the year/period	2,873	19	3,746	30	4,577	36	4,853	36	5,209	41

BUSINESS

- * The original terms of service agreements for two and five residential properties developed by Hongkun Group expired but were automatically extended until the formation of the property owners' committee in 2016 and for the eight months ended 31 August 2019 respectively, because no property owners' committees had been formed prior to the expiry of the service agreements in the these properties. As confirmed by our PRC Legal Advisers, such service agreements which contain provisions that automatically extend their expiry dates until the formation of the property owners' committee are not considered expired and remain in effect for the periods indicated.

- # In May 2019, a property owners' committee was formed in respect of National Guest No. 1* (國賓一號) in Yichang city, Hubei province. In January 2020, such property owners' committee continued to engage us as the property management service provider and entered in a new property management service agreement with us for National Guest No. 1* (國賓一號) for a term of two years.

During the Track Record Period and up to the Latest Practicable Date, our renewal rate with respect to property management service agreements for non-residential properties, calculated by dividing the number of renewed property management service agreements in a given period by the number of expiring property management service agreements (if any), without taking into account agreements that were terminated during the year/period, was N/A, N/A, 100.0%, N/A and N/A, respectively.

Although the term of our service agreements for these residential properties are typically three years, if no property owners' committee is formed within three months from the expiry of the service agreement, the term of the service agreement is automatically extended until the formation of the property owners' committee. During the Track Record Period, a property owners' committee was formed in National Guest No. 1* (國賓一號) in Yichang city, Hubei province in May 2019. During the Track Record Period and up to the Latest Practicable Date, save for National Guest No. 1* (國賓一號) in Yichang city, Hubei province, none of the residential properties developed by Hongkun Group and managed by us had formed a property owners' committee, and therefore, as confirmed by our PRC Legal Advisers, none of the relevant service agreements has expired for the periods indicated. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years. Further in 2018, a property management service agreement for one residential property developed by a third party property developer expired and was renewed. We renewed such property management service agreement with the property developer of the relevant residential property. Therefore, our renewal rate with respect to property management service agreements for residential properties were N/A, N/A, 100.0%, N/A and 100.0%, respectively, during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we terminated three property management service agreements before their expiry (including property management service agreements for two residential properties and one non-residential property during the Track Record Period), all of which were due to reasons on the part of the property developers/owners.

We terminated the aforesaid two residential property management service agreements due to the failure on the part of the property developers in delivering the residential properties to property owners for our management and terminated the aforesaid one non-residential property management service agreement as the non-residential property would be subsequently demolished.

Property management fees

During the Track Record Period, we charged property management fees primarily on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis.

The table below sets forth the breakdown of our (i) property management services revenue; and (ii) revenue-bearing GFA by basis of property management fees charged as at/for the periods indicated:

	2016			As at/Year ended 31 December 2017			2018			As at/Eight months ended 31 August 2019									
	Revenue-bearing GFA '000 sq.m.	Revenue % RMB'000	%	Revenue-bearing GFA '000 sq.m.	Revenue % RMB'000	%	Revenue-bearing GFA '000 sq.m.	Revenue % RMB'000	%	Revenue-bearing GFA '000 sq.m.	Revenue % RMB'000	%							
Lump sum basis	2,147	63,423	86.0	2,947	78.7	101,955	90.1	3,778	82.5	158,914	93.9	3,378	80.9	100,849	94.0	4,054	83.5	115,353	94.1
Commission basis	726	10,367	14.0	799	21.3	11,228	9.9	799	17.5	10,387	6.1	799	19.1	6,484	6.0	799	16.5	7,236	5.9
	2,873	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

BUSINESS

The average property management fee during the Track Record Period, calculated by dividing the total revenue generated from provision of property management services by the total revenue-bearing GFA at the end of the respective years/periods, was approximately RMB2.1 per sq.m. per month, RMB2.5 per sq.m. per month, RMB3.1 per sq.m. per month and RMB3.2 per sq.m. per month, respectively.

Property management fees charged on a lump sum basis

On a lump sum basis, we recognise the full amount of the total property management fees as revenue. Whether we would generate a profit would depend on our ability to control costs. Under such arrangement we bear all costs incurred during the term of the property management service agreement. If the amount of property management fees we collected is insufficient to cover all the expenses incurred, we are not entitled to require property owners and residents or property developers to pay us the shortfall under the service contract as all price adjustment is governed by relevant laws and regulations.

During the Track Record Period, our Company did not incur any material loss for properties managed under the lump-sum model.

Property management fees charged on a commission basis

On a commission basis, we charge a pre-determined percentage of the total property management fees as our commission based on our assessment of the collectability of property management fees during the Track Record Period. The property management fees (after deducting our commission) is used as working capital to cover the expenses incurred from property management. As an agent of property owners and residents, we are not entitled to any surplus (i.e. after deducting our fees and the expenses associated with the provision of the management services) in the property management fees received, while any direct cost under the property management service agreement shall be borne by property owners and residents.

Where there is a surplus, it will be carried forward to the next annual period. If there is a temporary shortfall, we may need to make up for the shortfall with our own resources and pay on behalf of property owners and residents and recover the shortfall from them later.

Our PRC Legal Advisers have confirmed that we have the legal right to request property owners and residents to repay us the shortfall, if any, in the property management fees charged on a commission basis, 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).

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The following sets forth the material differences between our property management services fees charged on a lump-sum basis and commission basis:

	Lump-sum basis	Commission basis
Revenue recognition	We recognise the full amount of our property management fees paid by property developers, property owners and residents as revenue.	We recognise a pre-determined percentage of our property management fees paid by property developers, property owners and residents as revenue.
Costs incurred in our provision of property management services	We bear the costs incurred in providing our property management services.	All direct costs we incurred in providing our property management services shall be borne by property owners and residents.
Shortfall or surplus between the general property management service fees and costs incurred in our provision of property management services	If the amount of property management fees received is not sufficient to cover all costs incurred, we are not entitled to request the property owners to pay us the shortfall.	We are not responsible for any shortfall if the amount of our property management fees received is not sufficient to cover all the costs incurred. Any shortfall or surplus is assumed by property developers, property owners and residents.

We take into account a number of factors in determining whether to charge our property management fees on a lump-sum or a commission basis, including local regulations, personalised requirements specified by property developers, local market conditions and the nature and characteristics of individual properties, on a case-by-case basis. We assess prospective customers by evaluating key factors such as estimated costs involved with property management, historical fee collection rates, projected profitability as well as whether the fee for provision of property management services was previously charged on a lump-sum basis or on a commission basis.

Our relationship with property developers

During the Track Record Period, most of the non-residential and residential properties we managed were developed by Hongkun Group (part of Parent Group). For details of our relationship with and business delineation from Parent Group, please refer to “Relationship with Controlling Shareholders and Parent Group” in this prospectus. We secured these property management projects from Hongkun Group through tendering or appointment through agreement.

BUSINESS

The table below sets forth the breakdown of our property management services revenue and revenue-bearing GFA from properties developed by (i) Hongkun Group and (ii) third party property developers as at/for the periods indicated:

	2016				As at/Year ended 31 December 2017				2018				As at/Eight months ended 31 August 2019							
	Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue					
	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%				
Properties developed by:																				
- Hongkun Group	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,535	99.1	166,514	98.4	4,135	99.0	105,433	98.2	4,811	99.1	120,702	98.5
- Third party property developers	-	-	-	-	-	-	-	-	42	0.9	2,787	1.6	42	1.0	1,900	1.8	42	0.9	1,887	1.5
	<u>2,873</u>	<u>100.0</u>	<u>73,790</u>	<u>100.0</u>	<u>3,746</u>	<u>100.0</u>	<u>113,183</u>	<u>100.0</u>	<u>4,577</u>	<u>100.0</u>	<u>169,301</u>	<u>100.0</u>	<u>4,177</u>	<u>100.0</u>	<u>107,333</u>	<u>100.0</u>	<u>4,853</u>	<u>100.0</u>	<u>122,589</u>	<u>100.0</u>

During the Track Record Period, our gross profit margin for property management services provided to properties developed by third party property developers was lower than that for properties developed by Hongkun Group, which was primarily because (i) we generally incurred lower cost of property management services per sq.m. per month associated with our management of properties developed by Hongkun Group as a result of a longer business relationship and a larger overall scale of properties under management to achieve the economies of scale; and (ii) we incurred higher cost of property management services per sq.m. per month associated with our first property management service project for properties developed by third party property developers, namely Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) (a) in order to expand our portfolio of property management services, to solidify the cooperation and to improve our customer experience and brand image; and (b) mainly because it is a relatively small property management service project with revenue-bearing GFA of approximately 42,000 sq.m. only.

Despite that most of the properties we manage were developed by Hongkun Group, as part of our expansion plan, we have been actively seeking property management engagements from Independent Third Party property developers with an aim to reduce reliance on Hongkun Group by adopting the following measures:

(i) Providing property developer related services to third party property developers

During the Track Record Period, we provided sales assistance services (i.e. a constituent of property developer related services) for three properties that were developed by third party property developers. Despite the fact that no property management service contract was secured for projects that we previously provided sales assistance services for the properties involved during the Track Record Period, our Directors are of the view that by providing property developer related services to third party property developers, we can reach out to and establish business relationships with a greater pool of third party property developers, who may engage us as the property management service provider for their properties in view of their satisfaction of our quality services.

BUSINESS

(ii) Proactively identifying and securing potential projects

During the Track Record Period, we proactively identified and sought business opportunities available in the market, whether or not the properties were developed by Hongkun Group or other third party property developers. Our Directors believe that while our Group can leverage our relationship with Parent Group in securing property management projects, we are continually seeking to expand our customer base notwithstanding that it is the industry norm that property developers usually prefer their own affiliated property management companies. We will continue to approach third party property developers, especially for those that have no strong affiliation with any property management companies in the PRC.

(iii) Expanding geographic presence by way of strategic acquisitions

In view that most of the well-established or large-scale third party property developers have their own affiliated companies or cooperating external service providers providing property management services for them, it is our business strategy to expand our geographic presence by way of strategic acquisitions of property management service companies. Our Directors consider that the benefits of strategic acquisitions are that we can efficiently tap into new local markets and expand our market presence within a relatively shorter timeframe by leveraging the existing customer base (including third party property developers) and other resources of the local property management companies in our Group's targeted areas, as well as utilise their industry knowledge of the local market. For details, please refer to "Our business strategies" in this section and "Future plans and use of proceeds" in this prospectus.

Given the industry norm that property developers usually prefer their own affiliated property management companies, our Directors are of the view and the Sole Sponsor concurs that the abovementioned measures are appropriate and effective under the circumstances. This can be demonstrated by our recent success in securing two property management service agreements for two non-residential properties developed by third party property developers in September 2019, with one located in Chengde city, Hebei province with contracted GFA of approximately 1,100 sq.m. and one located in Langfang city, Hebei province with contracted GFA of approximately 10,000 sq.m.

BUSINESS

To the best of our Directors' knowledge, in respect of the properties for which we have commenced our provisions of property management services as at the Latest Practicable Date, the following table sets forth (i) the type of properties; (ii) the location of properties; (iii) the contracted GFA as at the Latest Practicable Date; (iv) the revenue-bearing GFA as at the Latest Practicable Date; and (v) the expected revenue-bearing GFA of the properties which will be delivered by Hongkun Group for which we will provide our property management services for the periods indicated:

	Contracted GFA as at the Latest Practicable Date	Revenue- bearing GFA as at the Latest Practicable Date	Expected revenue-bearing GFA ^(Note) Year ending 31 December	
	'000 sq.m.	'000 sq.m.	2020	2021 and thereafter
	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.
Residential properties				
Beijing	1,569	1,294	6	269
Tianjin	705	398	50	257
Hebei province	2,580	1,655	53	872
Hainan province	505	454	–	51
Hubei province	540	337	13	190
Shaanxi province	42	42	–	–
Anhui province	496	148	192	156
Jiangsu province	268	85	95	88
Non-residential properties				
Beijing	1,247	737	–	510
Tianjin	58	48	–	10
Total	8,010	5,198	409	2,403

BUSINESS

To the best of our Directors' knowledge, in respect of the properties for which we had not yet commenced our provisions of property management services as at the Latest Practicable Date, the following table sets forth (i) the type of properties; (ii) the location of properties; (iii) the contracted GFA as at the Latest Practicable Date; and (iv) the expected revenue-bearing GFA of the properties which will be delivered by Hongkun Group for which we will provide our property management services for the periods indicated:

	Contracted GFA as at the Latest Practicable Date '000 sq.m.	Expected revenue-bearing GFA ^(Note) Year ending 31 December 2020 thereafter '000 sq.m.	
Residential properties			
Tianjin	1,170	–	1,170
Hebei province	1,624	224	1,400
Hubei province	203	–	203
Non-residential properties			
Shanghai	92	–	92
Guangdong province	95	–	95
Total	3,184	224	2,960

Note:

The expected revenue-bearing GFA is estimated according to our Directors' best knowledge and is subject to change depending on Hongkun Group's actual delivery schedule of the relevant properties.

To the best knowledge of our Directors after consulting Hongkun Group, as at Latest Practicable Date, three properties located in Hebei province, Tianjin and Hainan province were under the development of Hongkun Group. In view of the long-term and stable business relationship between Hongkun Group and us, and in particular, given that during the Track Record Period and up to the Latest Practicable Date, Hongkun Group had engaged us to provide property management services for all the properties developed/owned by Hongkun Group, we believe that Hongkun Group will enter into property management service agreements in respect of these properties with us in 2020. It is expected that these properties will have an aggregate contracted GFA of not less than 138,000 sq.m. The above estimate was made on the basis of a number of assumptions, including, among other things, there will be no material adverse change in the development and delivery schedules of these properties, and may be subject to factors beyond our control, such as any changes to the operations of Hongkun Group or its ability to carry out property development projects as planned.

BUSINESS

Scope of our property management services

Our property management services include the following:

Repair and maintenance services

Our repair and maintenance services cover (i) common area facilities and equipment; (ii) carpark and parking spaces for motorised and non-motorised vehicles; (iii) utilities facilities and equipment, such as backup generators, water pumps etc.; (iv) fire and safety facilities, such as fire extinguishers; and (v) general maintenance of the properties. For certain properties, generally non-residential properties, our services further include the maintenance of heating and air-conditioning facilities. Our on-site staff technicians perform routine inspections and provide repair services to ensure such facilities and equipment function normally.

Security services

Our security services primarily include (i) patrolling property premises; (ii) guarding the gates and entrances to the properties; (iii) controlling access to properties; (iv) providing assistance to visitors and residents; and (v) handling emergency situations. During the Track Record Period, we subcontracted the security services for some of the properties we managed to professional security services providers. We also make use of a centralised surveillance system located in the control room of each property, allowing our property management staff to monitor the key areas of the property 24 hours a day.

Cleaning and gardening services

We provide general cleaning services of public areas of residential and non-residential properties through subcontractors that specialise in the provision of cleaning services. Such public areas may include stairs, corridors, basements, as well as gardens. We provide horticultural services, which include pruning, fertilisation and pest control through our subcontractors. We strive to maintain sustainable growth and scenic beauty of our greeneries within our managed properties.

Management and leasing of car parking space

We manage the car parking space available within the properties and are responsible for controlling the traffic and access to the car parking space. Our staff monitor and record the vehicles entering and leaving the car parking space, and collect parking fees. We plan to gradually introduce an automated system that utilises licence plate recognition programmes to automate toll collection and other key car park management functions to reduce our human resources need and related operational cost.

Other property management related customer services

We maintain and update records of property owners and residents of our managed properties, and respond to and record their complaints and feedback regarding our services. We interact with and provide assistance to our property owners and residents through our reception desks, our 24-hour customer service hotline (400 hotline) and our mobile application Hongkunhui* 鴻坤薈.

BUSINESS

Enhanced hygiene and precautionary measures against the COVID-19 outbreak

In response to the COVID-19 outbreak, we have adopted enhanced hygiene and precautionary measures across the properties under our management since late January 2020. These measures include (i) regularly cleaning and disinfecting the common areas in our managed properties; (ii) monitoring the medical symptoms of the visitors at our managed properties by measuring their body temperatures; (iii) requiring our staff to wear suitable protective gear such as gloves and face masks; and (iv) promoting personal hygiene among our employees as well as property owners and residents of the properties we manage.

We estimate that the additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, to be approximately RMB0.7 million for the year ending 31 December 2020. This mainly represents the material costs for masks, ethanol hand wash, disinfectants, infrared thermometers, etc. Our Directors confirm that the additional costs associated with the enhanced measures would have no significant impact on our Group's financial position for the year ending 31 December 2020.

Pricing

Our property management fees for each residential and non-residential property we manage are determined based on a number of factors. For properties located in Beijing, we adopt a market-oriented pricing approach and generally take into account factors such as (i) the type of property (i.e. residential or non-residential, small community type residential property or villas, etc.) and the scope of services suited for property owners or residents of such property; (ii) the location of the property; (iii) our budgeted expenses and our profit margins; and (iv) the pricing of comparable properties in the region. For properties outside Beijing, we would further take into account the local government's guidance price on such fees.

BUSINESS

The following table sets forth the range of our property management fees charged by (i) types of properties; and (ii) types of property developers for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2016	2017	2018	2019
	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>
Residential properties				
– Apartments	1.1 to 5.0	1.1 to 5.0	1.1 to 5.0	1.1 to 5.0
– Town-house	0.6 to 2.6	0.6 to 4.0	0.6 to 4.0	0.6 to 4.0
– Villas	2.6 to 10.0	2.6 to 10.0	2.6 to 10.0	2.6 to 10.0
Non-residential properties				
– Office and shopping malls	18.1 to 60.0	18.1 to 60.0	18.1 to 60.0	3.9 to 60.0
– Shop spaces	0.6 to 14.9	0.6 to 14.9	0.6 to 14.9	0.6 to 14.9
– Other facilities	16.7	15.2 to 60.8	15.0 to 60.8	15.0 to 60.8
Hongkun Group	0.6 to 60.0	0.6 to 60.8	0.6 to 60.8	0.6 to 60.8
Third party property developers	N/A	N/A	5.5	5.6

The following table sets forth a breakdown of our average property management fees charged by types of property developers for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2016	2017	2018	2019
	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>
Hongkun Group	2.1	2.5	3.1	3.1
Third party property developers	N/A	N/A	5.5	5.6
Overall	2.1	2.5	3.1	3.2

During the Track Record Period, our property management fees for non-residential properties were generally higher than our property management fees for residential properties. As such, although the total revenue-bearing GFA of non-residential properties that we managed was less than that of residential properties during the Track Record Period, the revenue per sq.m. per month contributed from our management of non-residential properties was higher than that of residential properties.

BUSINESS

The PRC government imposes limitations on the amount of fees that property management companies may charge in connection with property management services. Please refer to “Regulatory overview – Charging of property management enterprises” in this prospectus for further details. As a result, we may not be allowed to adjust our fees in response to the rising operating costs, in particular, labour costs. In order to maintain profitability, we have adopted other cost control measures and diversified our business to include other services, such as value-added services.

We provide property management services to either the property developers or the individual property owners or residents depending on the status of the property concerned. For those delivered but unsold properties (whether residential or non-residential) as well as those non-residential properties that are not leased out, our property management services are provided to the property developers from whom we receive the property management fees. For properties (whether residential or non-residential) that are delivered and sold as well as those non-residential properties that are leased out, our property management services are provided to the owners of the sold properties or the residents of the leased properties, as the case may be, from whom we receive the property management fees. Our property management fees are generally determined based on the size of the unit and the nature of property, for instance, whether it is residential property, office, shopping mall or carpark. For residential property, we further differentiate the fees standards based on the type of property, for instance, whether it is an apartment, town-house or villa.

Payment and credit terms

Our property management fees for residential properties are generally charged on an annual basis, whilst our property management fees for non-residential properties are generally charged on a monthly or quarterly basis. Property management fees for residential properties are generally payable by property owners and residents in advance. We do not grant credit terms for payment of property management fees. Property management fees are due and payable by property owners upon the issuance of our payment notice, which is generally issued 15 days prior to a calendar year end. We may charge late fines on overdue fees, generally at a rate of 0.01% to 0.05% per day charged on a daily basis.

To ensure timely collection of management fees, we have adopted various measures such as home visits, issuing payment reminders and putting up payment notices. When the property management fees become overdue, we will deliver overdue payment notices to the relevant resident by hand and follow up with frequent payment reminders and home visits. If the management fees have not been paid within a reasonable time, we will issue demand letters to the relevant resident. In the event of significant payment delays, we may initiate legal proceedings to collect the fees. During the Track Record Period, we recovered overdue management fees of approximately RMB87,000, RMB64,000, RMB0.1 million and RMB40,000, respectively.

BUSINESS

The collection rates of our property management fees during the Track Record Period were approximately 93.2%, 91.4%, 91.1% and 88.5%, respectively. According to the CIC Report, from 2016 to 2018, the average collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region remained relatively stable. In 2018, the overall collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region was approximately 90%. Given that the majority of our managed properties are located in the Beijing-Tianjin-Hebei Region as at 31 August 2019, we believe that the collection rates of our property management fees from third party customers during the Track Record Period are comparable with our industry peers. Going forward, we plan to further improve the collection rate of property management fees through (i) setting internal targets for collecting overdue property management fees as part of the annual financial planning of our Group; (ii) conducting regular reviews of the collection rates of property management fees of our managed properties; (iii) encouraging employees to actively collect outstanding property management fees by implementing bonus and incentive programmes; (iv) promoting the fee payment function on Hongkunhui* 鴻坤薈; and (v) sending regular payment reminders to residents through channels such as text messages, notification messages on Hongkunhui* 鴻坤薈 and in-person notification.

When property owners or residents transfer and sell their property, the remaining amount of their prepaid property management fees unused will be refunded, and the new owner or resident shall pay their annual management fee in advance accordingly.

Our operational systems

Our performance and financial stability are closely associated with our operational efficiency. We have established centralised, digitalised, and standardised operational systems to ensure that we are able to provide high-quality property management services in a timely and cost-efficient manner.

Management centralisation

For each property we manage, we have established a centralised control centre (i.e. our E-control centre) comprising a call centre for our 400-hotline and a video surveillance command system, to allow 24-hour real-time access to multi-dimensional data within the property, thus reducing the number of staff needed.

Digitalisation of customer services

In August 2018, we launched the mobile applications, Hongkunhui* 鴻坤薈, a one-stop online service platform for property owners and residents, and H-Butler* 鴻管家, a mobile application for our property management staff to access our online management platform, both developed by Hongkun Group which we subsequently acquired in June 2019. Through Hongkunhui* 鴻坤薈, property owners and residents of our managed properties can interact with us directly and access our property management services through their mobile smart phones. Together with H-Butler* 鴻管家, an online platform for use internally by our property management staff on site, we believe that Hongkunhui* 鴻坤薈 serves to increase our operational efficiency and allow us to provide swift responses to property owners and residents. For details, please refer to “Our one-stop online service platform” in this section below.

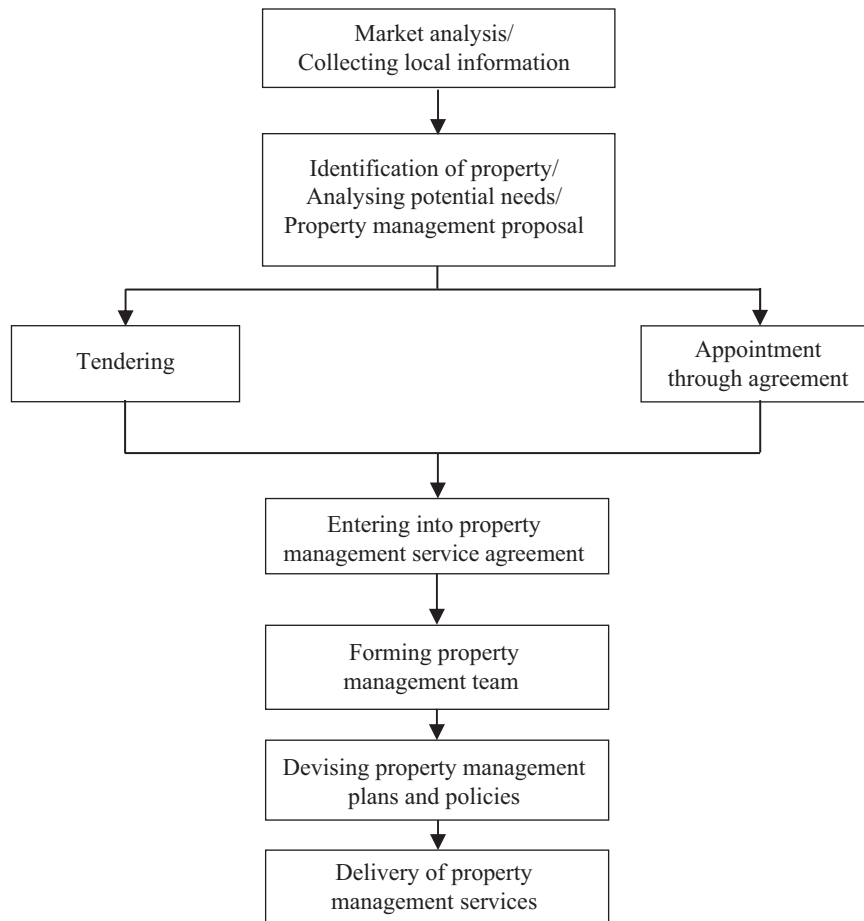
BUSINESS

Standardisation of procedures

To ensure that we provide consistent high-quality services to all property owners and residents across each and every type of property we manage, we standardise various aspects of our operations and service procedures regarding (i) service quality; (ii) service delivery; (iii) training; (iv) staff appraisal; and (v) maintaining our brand image.

Obtaining property management projects

The following diagram illustrates the key processes of the operations of our property management services, from identifying a project to provisions of property management services:



BUSINESS

We first conduct market analysis of the region and obtain key information, such as whether there will be new infrastructure and new property development plans in the vicinity, the demography in the region, local governmental policy, etc. We then assess factors such as the expected rate of return, property type, property size, competitions, etc. Once a suitable property has been identified we then assess the potential property management needs for such specific property, and compile a property management proposal, taking into consideration (i) the scope of services to be provided; (ii) number of staff required; (iii) the standard and quality of services compatible to and suitable for the profile of the property; (iv) the need for any additional value-added services and the scope of such value-added services; (v) the facilities available within the property; and (vi) the stage of the property, whether it is at its pre-delivery stage or ready for delivery.

Under the PRC laws, property developers are typically required to select their property management service providers for residential properties through a tendering process, either in the form of an open tender or tender by invitation. However if there are less than three participants or the size of the property is too small, the competent PRC regulatory authority may allow the property developers to engage property management service providers directly by appointment and dispense with the requirement of the tendering process.

A typical tendering process primarily involves the following steps:

- | | |
|--|---|
| Step 1 <i>Invitation</i> | The property developer files the invitation to tender with local authority. Then the property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders setting out the specifications and requirements for the tendered property management project. |
| Step 2 <i>Pre-qualification</i> | The property developer may pre-examine the bidding qualification of the bidders according to the provisions of the invitation documents. |
| Step 3 <i>Tender submission</i> | Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted. |
| Step 4 <i>Review</i> | The property developer will typically establish a tender review committee to review and rank the submitted tenders. The tender review committee will normally take into account factors such as credentials, service quality, availability of capital and proposed fee levels when it reviews the proposals. |
| Step 5 <i>Selection</i> | Based on its review, the tender review committee will typically recommend to the property developer not more than three candidates. The property developer will then engage the property management company that ranked first. |
| Step 6 <i>Award and contract signing</i> | The property management service agreement so awarded to the winner is expected to be signed within 30 days of the award and will take effect after filing with the competent PRC property administration authorities. |

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For cases where tendering is necessary, we will prepare and submit our tender/bid based on our assessments and projections to the property developer or property owners' committee (as the case may be) for their consideration. For cases where appointment will be made through agreement, we will formulate our preliminary property management plans and present them to the property developer or the property owners' committee (as the case may be) to initiate a negotiation.

If we are awarded the property management project, we will enter into a legally binding property management service agreement with the property developer or the property owners' committee (as the case may be), setting out the key terms of our services.

During the Track Record Period, property management service agreements in respect of 16 properties were awarded to our Group without the tender or bidding process, representing approximately 48.5% of the total number of properties, in respect of which the agreements were awarded to us during the Track Record Period.

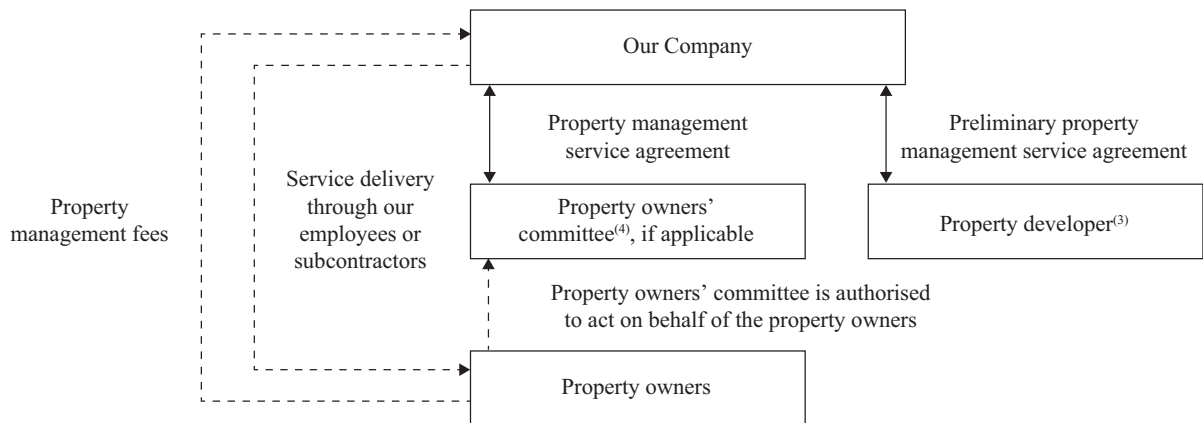
Agreements for our property management services

For residential properties, we enter into a preliminary property management agreement with the property developers at the pre-sale and pre-delivery stage, which will be terminated upon entering into a new property management agreement with property owners' committee upon its establishment, as required under the PRC laws. Our property management service agreements with property developers remain in effect until the property owners' committee is established and replaces us by entering into a separate property management service agreement with another service provider. As at the Latest Practicable Date, save for the property owners' committee formed in National Guest No. 1* (國賓一號) in Yichang City, Hubei province in May 2019, none of the properties under our management had formed a property owners' committee.

For non-residential properties, we enter into a property management agreement with the property developers, the property owners or the property tenants (as the case may be). After a non-residential property is delivered to its owner, if the owner will occupy the premises for its own use, it will become our customer. Likewise, if the premises is leased, its tenant will be our customer, and therefore, pay our property management fees.

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The following diagram illustrates the relationship between various contracting parties under a property management services agreement:



Notes:

- (1) Solid lines indicate binding agreements will be entered into between the parties.
- (2) Dotted lines indicate no agreements were entered into between the parties.
- (3) Property developer enters into the preliminary property management service agreement with us. As advised by our PRC Legal Advisers, such agreement is legally binding on the future property owners in accordance with PRC laws.
- (4) Property owners' committee may enter into the property management service agreement on behalf of property owners with us. As at the Latest Practicable Date, save for the property owners' committee formed in National Guest No. 1* (國賓一號) in Yichang City, Hubei province in May 2019, none of the residential properties we managed had formed a property owners' committee. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years.

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Key terms of our property management service agreement

The key terms and arrangements of our property management service agreement with property developers or property owners' committees or property owners or tenants of non-residential properties (as the case may be) are substantially identical and typically include the following:

Scope of services	<p>For residential and non-residential properties, our services typically include general management, repair and maintenance of equipment and facilities in public areas, traffic control, carpark, drainage and utilities management, security and surveillance services, hygiene and gardening services. We typically annex the agreed service quality standards for each of our services to the service agreement for reference.</p> <p>For additional fees, which are typically displayed at the management office of the property we manage, we may offer additional services to property owners and residents of residential properties such as housekeeping, household interior repairs and maintenance, etc. For non-residential properties, the fees and scope of any additional services will be separately negotiated.</p>
Areas and facilities managed	<p>The agreement will specify the total GFA and the serviced areas to be managed by us, which typically include the common areas such as corridors, carparks and roof-tops, etc. and facilities such as water-pipes, elevators and water pumps, etc.</p>
Our fees	<p>Our fees are typically charged either on a lump sum basis or on a commission basis, depending on each property management service agreement.</p> <p>Depending on the type of properties we manage, we usually charge a fixed amount of fees, which are required to be paid in advance on an annual basis during the term of the agreement. We determine the amount of fees that we charge based on our estimates of expenses that we will incur in providing the services. We are also entitled to charge extra service fees if our customers request us to provide services beyond our agreed scope.</p> <p>For some of our residential property management service agreements, generally those entered into since 2015, if our costs of services (taking into account local inflation) shall have increased, generally by 15%, we may increase our service fees, subject generally to the approval of over 50% of the property owners that represent over 50% of the revenue-bearing GFA.</p>

BUSINESS

Our responsibilities

For residential properties, to facilitate the smooth delivery of our property management services, we have the authority to regulate the use of public areas, equipment and facilities, in order to maintain order and hygiene within these public areas.

For properties that we charge our fees on a commission basis, we are required to prepare and announce our annual budget for our property management services to residents/property owners' committee in compliance with the PRC laws. We disclose our property management services income and expenditure to residents on a yearly basis.

For properties that we charge our fees on a lump sum basis, we agree to notify and inform residents of any material development to our property management services.

For non-residential properties, we typically have the authority to require the landlords and tenants to abide by the regulations we introduced in order to maintain order and hygiene in public areas and the facilities function properly.

Customer's responsibilities

For residential properties, apart from the punctual payment of management fees, our customers are typically responsible for (i) providing our staff with office space, accommodation, staff cafeteria etc. within the property free of charge; (ii) making agreed contributions to special funds for the repairs and maintenance of public areas/facilities; and, for both residential and non-residential properties; and (iii) general cooperation and observing the rules and regulations we establish for our day-to-day provisions of property management services.

For unsold residential units or properties at the pre-sale and/or pre-delivery stage, the property developer shall be responsible for the repair and maintenance of the property during the warranty period. The property developer shall transfer all technical information, blue-prints, and information regarding (i) utilities; (ii) equipment and facilities; and (iii) all necessary documents to enable us to provide property management services.

Term of service

For residential properties, the term of our service agreement is typically three years, and will generally be renewed until a new management service agreement is entered into with the property owners' committee.

For non-residential properties, the term of our service agreement is not less than one year and varies depending on the type of non-residential properties managed.

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For service agreement entered into with a property developer at the pre-sale and/or pre-delivery stage, such service agreement will terminate upon signing of a new service agreement with the property owners' committee. If no such committee is formed within three months from the expiry of the service agreement, the term of the service agreement is automatically extended until the formation of the property owners' committee, provided that (i) the property developer does not oppose to our continued services; and (ii) we agree to continue providing property management services.

Our PRC Legal Advisers have advised us that although neither the property owners' committees nor property owners are parties to the preliminary property management service agreements, these contracts are nonetheless legally binding on the future property owners under the PRC laws and property owners are obligated to pay management fees directly to us under these agreements. When the property developers enter into property sale and purchase agreements with property owners, we typically take the following precautionary measures to highlight to the property owners their legal obligations to comply with the preliminary property management service agreements: (i) we request the property developers to incorporate the major terms of the preliminary property management service agreements into their property sale and purchase agreements; and (ii) we enter into separate confirmation letters or property management service agreements with the property owners concurrently with their execution of the property sale and purchase agreements with the property developer. The confirmation letters contain the same terms as those in the preliminary property management service agreements.

Under the PRC laws, it is not mandatory and there is no time limit for property owners to form a property owners' committee. This applies to both residential and non-residential properties. The establishment of a property owners' committee is subject to votes by the relevant property owners at the general meetings, and such meetings are held in accordance with the guidance of relevant government authorities, as stipulated in the Property Law of the PRC* (中華人民共和國物權法), the Regulations on Property Management* (物業管理條例) and the Guidance Rules on Property Owners' Meeting and Property Owners' Association* (業主大會和業主委員會指導規則). Accordingly, given that the formation of a property owners' committee is entirely of the property owners' own volition, the provision of property management services by our Group to the residential and non-residential properties managed by us has no bearing on the determination of the property owners on the formation of a property owners' committee. According to the CIC Report, as at 31 October 2019, approximately 80% of the residential properties managed by the top 30 property management companies in the Beijing-Tianjin-Hebei Region have not formed a property owners' committee. Given the above, our Directors are of the view that it is not unusual or uncommon in the industry that none of the residential properties managed by us (save for National Guest No. 1* (國賓一號) in Yichang city, Hubei province) had formed a property owners' committee as at the Latest Practicable Date. Where a property owners' committee is formed, such property owners' committee may engage a property management company on behalf of the property owners and enter into a property management service agreement that is legally binding on all property owners under the PRC laws. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years.

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Our Directors are optimistic about our Group's prospects of renewing existing residential property management service agreements with newly formed property owners' committees for the following reasons:

According to the CIC Report, the major factors that property owners' committees consider when evaluating tenders/bids for choosing the property management service companies generally include the (i) reputation and qualification of the bidders; (ii) pricing and related services that will be offered by the bidders; and (iii) the staffing and resources that will be allocated for managing the property.

Based on the above and our experience with approximately 15 years of track record in the property management industry, our Directors believe that property owners' committees would generally consider the following key criteria when evaluating tenders/bids and choosing property management service companies:

Quality of services

As in all service industry, our Directors believe that success of our Group depends largely on our ability to deliver consistent and high-quality services to our customers. Our Directors believe that our Group has developed a brand image and reputation that are associated with high quality and reliable services, which are demonstrated by the numerous awards received by our Group over the years.

With an emphasis on refining the quality and variety of our property management services, we strive to foster a sense of community and enrich the living experience of property owners and residents through a variety of value-added services, so as to enhance and optimise owners' living quality, experience and the overall customer satisfaction of our services.

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Pricing

Pricing is generally one of the important factors that property owners' committees would consider when choosing their property management service providers. According to the CIC Report, it is a norm in the property management industry that there is a market range for property management fees for comparable properties located in the same geographical location, and that there is also a market range for the property management fees charged by property management service providers providing similar scope and quality of services. As confirmed by CIC, the current level of property management fees for the residential properties under our management is within the relevant market range. Based on the above, our Directors believe that, subject to any adjustment due to inflation, the level of property management fees proposed to be charged by our Group will not deviate substantially from our original level when we renew the agreements with the property owners' committees upon their formation. As such, our Directors believe that our Group will be able to maintain the pricing for our property management services at a competitive level.

We further strive to maintain our competitive pricing by adopting cost control measures and improving our operational efficiency. Our Directors believe that we can achieve cost control and operational efficiency for the following reasons:

- (i) *over 15 years of property management experience* – according to the CIC Report, the smooth operation of property management requires abundant project experience in various aspects such as staff assignment, resource allocation, conflict handling, etc. These experiences assist property management companies in allocating resources more efficiently, which may result in lower operation costs and higher profitability. Our Directors believe that the knowledge and experience accumulated by our Group in managing properties over the past 15 years have contributed to our operational efficiency.

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- (ii) *adoption of automation and smart solutions in daily operations* – we plan to further improve and upgrade our information systems to digitalise and standardise our property management services. Through automation of repetitive functions, our staff can be relieved from redundant tasks such as taking the reading of electricity meters, and can focus on other key property management functions that require more human interaction. Moreover, an automated system could increase the overall operational efficiency, where problems could be automatically identified and pre-programmed solutions or measures could be more promptly initiated to ensure smooth-running of management services, which may in turn reduce reliance on manual labour, enhance cost and operational efficiency and optimise the standard of our services.

- (iii) *use of mobile applications* – H-Butler* 鴻管家 assists our staff in the daily operations and management of properties by allowing them to access our online management platform remotely whilst Hongkunhui* 鴻坤薈 allows property owners and residents of our Group’s managed properties to interact with our staff directly and access property management services conveniently through mobile phones. Our Directors believe that H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 allow our property management staff to provide swift responses to property owners and residents, which serve to increase our operational efficiency.

Brand recognition

According to the CIC Report, existing and potential customers will assess the quality of a property management service provider based on its track record and reputation. Companies with well-established brand images are often recognised for their high-quality services, and thereby can effectively gain the trust and loyalty of the property owners and residents.

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Our Directors believe that given our Group's proven track record and reputation in the market, we have forged a positive brand image that is recognised by property owners and residents, and the industry. We have received various awards and recognition for our services over the years, for example, we ranked 48th among the Top 100 Property Management Companies in the PRC* (中國物業服務百強物業) by CIA in 2019, ranked 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018, and ranked ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018.

Affiliation with major property developers

If a property management company is affiliated with a well-known or large-scale property developer, the chance of securing agreement renewals with property owners' committees would be generally higher, as the property management company can leverage on the brand image of its affiliated property developer, thus increasing the confidence of property owners and residents in the quality and reliability of services. According to the CIC Report, from January 2016 to October 2019, after the formation of property owners' committees, around 80% of the property management companies that are affiliated with small-scale property developers will be replaced, while only less than 5% of property management companies that are affiliated with large-scale property developers (such as our Group) will be replaced subsequent to the formation of the property owners' committees.

Further, in the event of renewal of property management service agreements with property owners' committees, our Directors are of the view that no material adverse effect on our Group's margin and profitability is expected. The PRC government imposes limitations on the amount of fees that property management companies may charge in connection with property management services. Please refer to "Regulatory overview – Charging of property management enterprises" in this prospectus for further details. Accordingly, in the event of renewal of agreements with property owners' committees, the level of property management fees that we are able to charge will be regulated. As such, our Directors believe that the level of fees to be charged by our Group in the event of renewal of agreements with property owners' committees, will, subject to inflation and cost control, continue to be within the market range. In order to maintain our competitiveness, it is our mission to uphold our service philosophy of "creating an enjoyable living environment (讓人們住的開心)" and adhere to our core value of delivering high quality and reliable services and improving customers' satisfaction. It is expected that the scope of services to be offered by our Group in the event of renewal of agreements with property owners' committees will be substantially the same or further expanded.

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During the Track Record Period, a property owners' committee was formed in National Guest No. 1* (國賓一號) in Yichang city, Hubei province in May 2019. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years. We charge the property owners and residents of such property with a similar level of property management fees, and renewed such property management service agreement based on similar terms and conditions.

The following table sets forth the expiry schedule of our property management service agreements in relation to the properties for which we had commenced our provisions of property management services as at the Latest Practicable Date:

	Number of properties	Percentage of total number of properties %	Contracted GFA 000' sq.m.	Percentage of total contracted GFA %	Revenue- bearing GFA 000' sq.m.	Percentage of total revenue- bearing GFA %
Properties developed by Hongkun Group						
<i>With fixed term (Note)</i>						
One year or less	4	10.5	73	0.9	64	1.2
More than one year and up to two years	2	5.3	679	8.5	410	8.0
More than two years and up to three years	7	18.4	760	9.5	434	8.4
More than three years	1	2.6	276	3.5	159	3.1
<i>No fixed term</i>						
- No fixed term set out in the service agreement and the agreement will be effective until the formation of the property owners' committee	18	47.4	4,247	53.3	2,465	47.8
- The original fixed term has expired and the agreement contains provisions that automatically extend the term of service agreement until the formation of the property owners' committee	6	15.8	1,933	24.3	1,624	31.5
Total	38	100.0	7,968	100.0	5,156	100.0
Properties developed by third party property developers						
<i>With fixed term</i>						
One year or less	2	66.7	11	20.8	11	20.8
More than three years	1	33.3	42	79.2	42	79.2
Total	3	100.0	53	100.0	53	100.0

Note: Generally, for our property management service agreements with a fixed term, the term of these agreements will be automatically extended upon the formation of the property owners' committee in the relevant property.

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Regardless of whether our preliminary property management service agreements contain a fixed term or a non-fixed term, if property management service agreements entered into by the property owners' committees (if established) come into force within the term of our preliminary property management service agreements, our preliminary property management service agreements will be terminated automatically in accordance with the Regulations on Property Management (物業管理條例). During the Track Record Period, a property owners' committee was formed in National Guest No. 1* (國賓一號) in Yichang city, Hubei province in May 2019. In January 2020, the property owners' committee formed in National Guest No. 1* (國賓一號) entered into a new property management service agreement for the property with us for a term of two years.

The following table sets forth the expiry schedule of our property management service agreements in relation to the properties for which we had not yet commenced our provisions of property management services as at the Latest Practicable Date:

	Number of properties	Percentage of total number of properties %	Contracted GFA 000' sq.m.	Percentage of total contracted GFA %
Properties developed by Hongkun Group				
<i>With fixed term (Note)</i>				
More than 10 years	1	7.7	92	2.9
<i>No fixed term</i>				
– No fixed term set out in the service agreement and the agreement will be effective until the formation of the property owners' committee	<u>12</u>	<u>92.3</u>	<u>3,092</u>	<u>97.1</u>
Total	<u><u>13</u></u>	<u><u>100.0</u></u>	<u><u>3,184</u></u>	<u><u>100.0</u></u>
Property developed by third party developer				
<i>No fixed term</i>				
– Containing provisions that automatically extend the term of service agreement until the formation of the property owners' committee	<u><u>1</u></u>	<u><u>100.0</u></u>	<u><u>35</u></u>	<u><u>100.0</u></u>

Note: Generally, for our property management service agreements with a fixed term, the term of these agreements will be automatically extended upon the formation of the property owners' committee in the relevant property.

As at the Latest Practicable Date, Hongkun Group had not delivered the above properties for our property management and accordingly, the revenue-bearing GFA for such properties was not applicable.

Regardless of whether our preliminary property management service agreements contain a fixed term or a non-fixed term, if property management service agreements entered into by the property owners' committees (if established) come into force within the term of our preliminary property management service agreements, our preliminary property management service agreements will be terminated automatically in accordance with the Regulations on Property Management (物業管理條例).

The table below sets forth the breakdown of our property management services revenue and revenue-bearing GFA by type of property management service agreements for the periods indicated:

	2016		As at/Year ended 31 December 2017		2018		As at/Eight months ended 31 August 2018		2019											
	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %	Revenue-bearing GFA '000 sq.m.	Revenue RMB'000 %										
Property management service agreements:																				
- With a fixed term	266	9.3	14,737	20.0	431	11.5	32,818	29.0	613	13.4	65,750	38.8	585	14.0	41,825	39.0	771	15.9	45,294	36.9
- Without a fixed term	2,607	90.7	59,053	80.0	3,315	88.5	80,365	71.0	3,964	86.6	103,551	61.2	3,592	86.0	65,508	61.0	4,082	84.1	77,295	63.1
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

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PROPERTY DEVELOPER RELATED SERVICES

Leveraging our proven track record and experience gained from our operations of property management, in addition to providing property management services, we also offer a wide range of property developer related services to property developers.

We provide property planning and design consultancy services to property developers in the early stages of property development projects. After completion of the property development, we offer pre-delivery inspection services where property units are inspected and advise property developers on the adequacy and completeness of the finishing of the units. We provide sales assistance services and deploy personnel to assist property developers in managing and maintaining the hygiene of and order at the on-site sales centres and the mock-up units set up by the property developers. We provide cleaning and other services to prepare the property for delivery to purchasers. Finally, we provide repair services for new residential and non-residential properties after delivery.

During the Track Record Period, we generated revenue of approximately RMB32.9 million, RMB61.3 million, RMB62.5 million and RMB41.2 million from the provisions of property developer related services, respectively, representing approximately 28.2%, 32.0%, 24.9% and 23.5% of our total revenue, respectively. During the Track Record Period, most of our revenue from property developer related services was attributable to Hongkun Group, which amounted to approximately RMB32.9 million, RMB60.7 million, RMB60.6 million and RMB40.7 million, respectively, representing 100.0%, approximately 98.9%, 97.0% and 98.7% of our total property developer related services revenue, respectively.

The table below sets forth the breakdown of our revenue derived from the provision of different types of property developer related services for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Sales assistance services										
– Sales assistance services	26,800	81.6	40,788	66.5	42,047	67.3	28,142	71.7	28,860	70.0
– 400 hotline ^(Note)	–	–	–	–	2,000	3.2	1,244	3.2	1,293	3.1
Subtotal	26,800	81.6	40,788	66.5	44,047	70.5	29,386	74.9	30,153	73.1
Pre-delivery cleaning and preparation services	5,519	16.8	16,045	26.2	10,455	16.7	5,259	13.4	1,546	3.7
Post-delivery repair services	–	–	2,192	3.6	3,610	5.8	2,407	6.1	2,465	6.0
Planning and design consultancy and inspection services	539	1.6	2,312	3.7	4,375	7.0	2,207	5.6	7,071	17.2
Total	32,858	100.0	61,337	100.0	62,487	100.0	39,259	100.0	41,235	100.0

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Note: During the Track Record Period, we shared the use of 400 hotline with Hongkun Group. Since January 2018, the operation and management of 400 hotline were transferred to us and hence we became responsible for all costs and expenses thereafter. Subsequent to the transfer, Hongkun Group continues to engage us for use of 400 hotline at a service fee for the provisions of sale and after-sale customer enquiry hotline services in relation to specific properties developed by Hongkun Group. Please refer to “Connected transactions – (C) Non-exempt continuing connected transactions” in this prospectus for further details.

Scope of our property developer related services

Set forth below is a summary of our property developer related services:

Sales assistance services

Our sales assistance services include cleaning, security, gardening, maintenance of mock-up units and visitor management. We deploy personnel to assist property developers in managing and maintaining the hygiene and order at the on-site sales centres and the mock-up units set up by the property developers. The mock-up units are set-up to showcase different units of the property to potential buyers. Given the number of visitors anticipated, and the need for security, traffic control, refreshments and beverages for visitors, maintenance and managing order of the mock-up units, the property developers usually engage property management service providers to provide these services as a preview of the property management services to be provided for the property. In accordance with our sales assistance service agreements, we are obliged to comply with the service standards specified by our customers, and our customers are obliged to provide us with the facilities and equipment we need to provide services. We provide sales assistance services ourselves or through our subcontractors. We charge a fixed service fee, determined on a cost-plus basis, which is payable by our customer on a monthly basis over the course of the service agreement.

During the Track Record Period, we shared the use of 400 hotline with Hongkun Group. Since January 2018, the operation and management of 400 hotline were transferred to us and hence we became responsible for all costs and expenses thereafter. Subsequent to the transfer, Hongkun Group continues to engage us for the use of 400 hotline at a service fee for the provisions of sale and after-sale customer enquiry hotline services for properties developed by Hongkun Group. We charge a fixed service fee, determined on a cost-plus basis, payable according to the terms of the service agreement.

Pre-delivery cleaning and preparation services

As part of our pre-delivery cleaning and preparation services, we provide cleaning services for the properties to ensure the hygiene and tidiness of the properties before purchasers take delivery of them. We also make preparations to ensure the proper functions of facilities, security and readiness for property owners and residents to move in. We provide these services by ourselves and through our subcontractors. We collect fees from property developers which are charged on a cost-plus basis with reference to the GFA of the properties.

Post-delivery repair services

We provide post-delivery repair services for new residential and non-residential properties. After delivery, property owners or residents may have issues with the condition(s) of their properties such as leaks and cracks in the walls. The property developer will contact us to rectify these issues. We collect fees from property developers which are charged on a cost-plus basis.

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Planning and design consultancy and inspection services

Leveraging our experience in property management, we are able to participate in the early stages of property development projects by providing pre-delivery consultancy services to property developers. We believe that this allows us to establish and expand business contacts with property developers, thus giving us a competitive advantage in securing management service contracts from property developers. We provide consulting services during the design and development phases, such as advice on transportation and public area planning, which can improve the effectiveness of our property management services.

We also provide design consultancy services to property developers to enhance their performance by leveraging our extensive first hand experience with property owners and residents. We advise property developers on the needs of prospective property owners and residents, thus helping property developers to design properties to cater for and suit the needs and expectations of the prospective property owners and residents. Our assessment and advice typically cover key areas such as individual units, public areas, basements, landscapes, water supply and drainage systems and fire safety systems. During the construction period, we will conduct on-site inspections from time to time and follow up on any issues we discover from the perspective of a property management service provider.

The pre-delivery inspection services we provide involve inspecting property units and advising property developers on the adequacy and completeness of the finishing of the units from the perspective of property owners and residents after the construction of the properties completes. Our inspection focuses on the functional, quality and design aspects of the units. We conduct a number of tests and investigations during on-site inspection to detect potential defects. We usually charge pre-delivery inspection service fees by the GFA.

Service fees

Pricing

We charge a fixed fee for our property developer related services. We determine the fees for our property developer related services by taking into account a number of factors. For properties located in Beijing, we adopt a market oriented pricing approach and generally take into account factors, such as (i) the type of property; (ii) the scope of services; (iii) the location of the property; (iv) our budgeted expenses and our profit margins; and (v) prevailing market rates charged by our competitors. For properties outside Beijing, we determine the fees for our property developer related services on the basis of the local government's guidance price on such fees. We negotiate our fees on a case-by-case basis. We usually grant our customers a credit term of approximately 30 days.

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Key terms of agreements for our property developer related services

Scope of services	Our services typically include sales assistance services, pre-delivery cleaning and preparation services, post-delivery repair services, planning and design consultancy and inspection services, or a combination of these services.
Our fees	We generally charge a fixed fee calculated based on costs plus basis, typically taking into account the scope of services and the number of staff to be deployed.
Customer's responsibilities	Customers are generally required to provide us with the necessary supplies, equipment and working space necessary for our staff to provide such services.
Term of services	The term of our service agreements is typically one year.

VALUE-ADDED SERVICES

We strive to provide more than just property management services. As a means to enhance our residents' living experience and to promote a sense of community among the property owners and residents of our managed properties, we provide value-added services to cater for the daily needs of property owners and residents. To create an enjoyable living environment and to provide and promote harmony and a healthy lifestyle among residents, we look to improve and enhance our service quality and our customers' experience and satisfaction, and will continue to bring in diversified value-added services for our managed properties. It is our plan to develop a multifaceted ecosystem in our managed properties that offers community services in various areas, such as cultural, social community, health and wellbeing and educational.

During the Track Record Period, revenue generated from our value-added services amounted to approximately RMB9.9 million, RMB17.0 million, RMB19.4 million and RMB11.5 million, respectively, representing approximately 8.5%, 8.9%, 7.7% and 6.6% of our total revenue, respectively.

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The table below sets forth the breakdown of our revenue derived from the provisions of different types of value-added services for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017		2018		2018		2019	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Home living services	6,337	64.3	9,290	54.5	10,386	53.6	5,478	47.7	6,676	57.9
Leasing of common areas	2,857	29.0	5,188	30.4	5,180	26.7	3,041	26.5	4,645	40.3
Equipment repair and installation services	-	-	-	-	2,798	14.4	2,798	24.3	-	-
Housekeeping services	-	-	1,178	6.9	99	0.5	99	0.9	-	-
Others	660	6.7	1,382	8.2	926	4.8	78	0.6	211	1.8
Total	9,854	100.0	17,038	100.0	19,389	100.0	11,494	100.0	11,532	100.0

Scope of our value-added services

To provide property owners and residents with the convenience in meeting their daily needs, we provide a variety of value-added services. These include:

Home living services

We provide (i) utilities charges collection services to the owners and residents of both residential and non-residential properties at a service fee. We then pay the utilities charges directly to the relevant utilities providers; (ii) air-conditioning services for non-residential properties as well as shop spaces located within the residential properties that we manage; (iii) heating services for non-residential properties as well as shop spaces located within the residential properties that we manage; and (iv) household repair and maintenance services through engaging third-party suppliers, for residential and non-residential properties that we manage.

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Other community related services

Leasing of common areas – we may lease out spaces in the common areas to third-party service providers for setting up advertisement lightbox, distilled water vending machines, screens in lifts and other facilities, where applicable. We also collaborate with third-party suppliers of design and renovation services, furniture and refurbishment materials etc. by leasing venue to them for showcasing to and interacting with the property owners and residents of our managed properties. We receive fees in accordance with the relevant agreement.

Under the property management services agreement, a percentage of the fees received from leasing of common areas, generally 50%, will be charged by us as service fees and recognised as our service income, and the remainder shall be used to offset the costs for the management and maintenance of the common areas. During the Track Record Period, we applied such remainder of fees to the maintenance of the common areas and we did not pay nor distribute the same to property owners.

Equipment repair and installation services – during the Track Record Period, we provided equipment repair and installation services through Hebei Norden, which was established in July 2017 and owned as to 55% and 45% by us and Guangzhou Norden, respectively. Given our lack of experience and expertise in the provisions of equipment repair and installation services, we relied on Guangzhou Norden for the provisions of such services, with a view to acquiring the expertise in due course. However, given the extended effort and time in mastering the necessary skills or hiring qualified staff, we concluded that it would no longer be economically feasible for us to continue to engage in the provisions of such services with Guangzhou Norden. We subsequently sold our interest in Hebei Norden in December 2018 to Guangzhou Norden and we have accordingly ceased to provide such services. Our Directors confirm that the revenue contributed by the provisions of such services amounted to approximately RMB2.8 million in 2018, representing only approximately 1.1% of our total revenue for the same year, which was relatively insignificant and had no material impact on the financial performance of our Group during the Track Record Period, and that there was no dispute between us and Guangzhou Norden during the course of our cooperation.

Housekeeping services – during the Track Record Period, we provided housekeeping services through Beijing Hongkun Love Housekeeping, which was established in March 2017 and owned by us as to 51%. Eventually, we concluded we would discontinue to engage in the provisions of such services with the other shareholder and proceeded to apply for deregistration of Beijing Hongkun Love Housekeeping. We ceased to provide housekeeping services after the deregistration of Beijing Hongkun Love Housekeeping in July 2018. Our Directors confirm that the revenue contributed by the provisions of such services amounted to approximately RMB1.2 million and RMB99,000 in 2017 and 2018, respectively, representing only approximately 0.5% and 0.04% of our total revenue for the same year, respectively, which was relatively insignificant and had no material impact on the financial performance of our Group during the Track Record Period, and that there was no dispute between us and the other shareholder during the course of our cooperation.

In addition, we cooperate with third-party suppliers for the provisions of other community-related services such as turn-key move-in services (拎包入住服務). We also manage the club house and the common areas of our managed properties.

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We also set up community-shared treadmills and self-service convenience stores and laundry machines, etc, in the common areas to address the daily-needs of property owners and residents.

We further provide information services for interior decoration and furnishing, learning and tutorial, education camps, laundry and other services to our residents. Such information is mainly dissipated through billboards located within the property, in our management offices on-site, as well as through word-of-mouth. Since August 2018, such information is further made available in our mobile application Hongkunjui* 鴻坤薈.

Events and activities

As part of our corporate social responsibility, we assist residents in organising community activities such as residents' marathon, sports matches and other recreational and festive celebrations using the common areas available. For example, every Chinese New Year we deliver new year calligraphic couplets to residents to express our new year greetings and best wishes. We also organise free hair cutting and bicycle repairing services to the elderly residents on Lei Fengri* (雷鋒日) in March. In April, we organise greening activities on or around Arbor Day for residents to participate in the planting and greening of their local communities. For Dragon Boat festival in May, we organise rice dumpling wrapping competition for residents to participate. On Children's Day (1 June), we organise different events to encourage children to participate in community development, such as to serve as a "one-day cleaner" or "one-day doorman" etc. within the community. For Mid-autumn festival, the gala we organise is one of the highlights of our community activities. The turn-out rate of the residents participating in the performance is usually high. During spring and autumn seasons, in particular Chungyeung festival, where the weather is best for outdoor activities, we organise hiking activities and excursions. We also make use of the week-long National Day holidays to organise a variety of activities and entertainment for the residents. To promote environmental protection and reduce waste, we organise flea markets for residents to exchange used items.

We believe that these community activities and events not only serve to create a sense of belonging and provide social venues for property owners and residents, they can increase our level of engagement with property owners and residents, allowing us to better understand their needs and preference which in turn help us to personalise and tailor the scope of our future value-added services.

Service fees

Pricing

For value-added services provided by us, we charge a fixed fee which depends on the type of service rendered. The prices for specific services are on display at the management office in our managed properties and billboards and since August 2018, in our mobile application Hongkunjui* 鴻坤薈. As for services provided by third party service providers, we will charge such third-party service providers fees generally in the form of a commission. If such services rendered by third-party providers require the use of space in the common areas, we will charge additional fees for the space occupied in accordance with the relevant agreement, where the fees are determined with reference to the price charged for similar services provided by other local providers. As for utilities charges collection services, such as electricity and water, suppliers will bill us directly, where we will charge property owners or residents at a mark-up subject to the maximum amount allowed by local authorities.

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Key terms of our value-added service agreement

For services that are provided by third party service providers, we typically enter into written agreements with the providers for their provisions of value-added services. Such agreement typically sets forth, among other things, our fees and commission, settlement mechanisms, logistics, term of service and, where applicable, details of any chattels (such as advertising light-boxes, flat-screens or distilled water vending machines) associated with their provision of services.

EFFECTS OF THE COVID-19 OUTBREAK

Effects of the COVID-19 outbreak on our business operations

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first emerged in Wuhan city, Hubei province, China in late 2019 and which continues to expand within the PRC and globally. As at the Latest Practicable Date, COVID-19 had spread across China and to over 30 countries and territories globally with most deaths in Hubei province, and death toll and number of infected cases continued to rise. With an aim to contain the COVID-19 outbreak, the PRC government has imposed extreme measures across the PRC including, but not limited to, the complete lock-down of Wuhan city since 23 January 2020, partial lock-down measures across various cities in the PRC, the extended shutdown of business operations, and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

As at the Latest Practicable Date, we managed one residential property, National Guest No. 1* (國賓一號) in Yichang city, Hubei province with a revenue-bearing GFA of approximately 0.3 million sq.m., representing approximately 6.5% of our total revenue-bearing GFA. We also provided value-added services to property owners and residents of National Guest No. 1* (國賓一號), as well as property developer related services for another project in Yichang city, Hubei province as at the Latest Practicable Date. During the Track Record Period, we generated nil, approximately 1.2%, 3.6%, and 3.3% of our total revenue generated from property management services from providing property management services to property owners and residents of National Guest No. 1* (國賓一號), respectively. During the same period, we generated nil, approximately 1.8%, 7.5% and 5.6% of our total revenue from property developer related services in Hubei province, respectively, and nil, approximately 3.1%, 2.8% and 2.0% of our total revenue from value-added services in Hubei province, respectively. In short, our exposure in Hubei province in terms of total revenue contribution was nil, approximately 1.5%, 4.5% and 3.7% during the Track Record Period, respectively. Going forward, we anticipate that the extent of our operations in Hubei province will continue to be limited, in terms of our expected revenue-bearing GFA. Based on the best knowledge and latest estimation of our Directors, in 2020 and in 2021 and thereafter, properties with a total revenue-bearing GFA of approximately 13,000 sq.m. and 0.4 million sq.m. will be delivered to us for management in Hubei province, respectively, representing approximately 2.1% and 7.3% of the total revenue-bearing GFA expected to be delivered to us for management, respectively.

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To the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of the residents, tenants or our staff of National Guest No. 1* (國賓一號) or other properties we managed in the PRC and none of our staff was subject to the mandatory quarantine requirements and thus failed to report to duties. Since the outbreak of COVID-19 and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. Our Directors consider that while the supply chains in all industries will be disrupted to a certain extent by the outbreak of COVID-19, particularly due to the prolonged suspension of business operations in the PRC and the instability of workforce arising from the mandatory quarantine requirements, in view of the nature of our business, our Directors do not expect that our Group will encounter any material disruptions of our supply chain given that we do not rely on any particular service subcontractors or material suppliers and there are many other readily available subcontractors and suppliers in the market as back-up. In view of the foregoing, our Directors are confident that our Group can continue to provide our services and discharge our obligations under existing contracts.

Furthermore, our Directors are of the view that the COVID-19 outbreak will not have a significant impact on our property management services as the outbreak will not bring a material impact on the current revenue-bearing GFA of properties under our management and the property management fees charged by us, and the delivery schedules of properties for our property management in the near future will unlikely be significantly affected. Likewise, for our property developer related services, our fees for such services are fixed under contract, and therefore our revenue generated from property developer related services will unlikely be affected. Nevertheless, in the event that we are forced to suspend all or a significant part of our property developer related services, such as the termination of our sales assistance services where mock-up units showrooms are closed as a result of the COVID-19 outbreak, we estimate that our net profit may decrease by a maximum amount approximately RMB4.3 million for the year ending 31 December 2020, which our Directors believe will not have a significant impact on our financial condition. As for our value-added services, we anticipate that there will be no significant fluctuations in our revenue generated from value-added services as we generate the majority of our value-added services revenue from providing home living services (mainly including utilities charges collection services and provisions of air-conditioning and heating), which are services essential to property owners, residents or tenants at our managed properties.

As at the Latest Practicable Date, it is expected that an aggregate revenue-bearing GFA of approximately 0.6 million sq.m. and 5.4 million sq.m will be delivered by Hongkun Group for our management under the relevant contracts in 2020, and 2021 and thereafter, respectively. To the best knowledge of our Directors after consulting Hongkun Group, we do not anticipate there be any material delay in the delivery of these properties by Hongkun Group for our management in 2020 and 2021 as scheduled. Furthermore, to the best knowledge of our Directors, as at the Latest Practicable Date, three properties located in Hebei province, Tianjin and Hainan province with an aggregated contracted GFA of not less than 138,000 sq.m. were under the development of Hongkun Group. We were informed by Hongkun Group that while Hongkun Group anticipated certain delay in its overall property development progress as a result of the extended business suspension imposed by the PRC government in curbing the COVID-19 outbreak, Hongkun Group expected that it has sufficient resources, capability and capacity to catch up with the process of developments and did not anticipate significant delay in completing the developments of the aforesaid properties. After consulting Hongkun Group, our Directors are of the view that nothing has come to their attention which would suggest otherwise. We believe that Hongkun Group will enter into property management service agreements in respect of these properties with us in 2020 as scheduled. We believe that while there may be certain delay in the delivery of the aforesaid properties to us for management by Hongkun Group, such delay would not be significant and will unlikely have material adverse impact on our financial condition.

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Unlike other industries such as retail and manufacturing which may be subject to extensive or even complete suspension of operations for a period of time as a result of the COVID-19 outbreak, given the nature of our business operations, our Directors are of the view that the risk of our Group having to suspend our operations is remote. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 outbreak. In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources (including cash and bank balances and amounts due from related parties to be repaid before Listing) as at 31 December 2019 could satisfy our necessary costs for over 12 months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any income due to the suspension of business; (ii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) we may incur one-month staff cost to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (iv) the rental related payments including rentals, management fees and other miscellaneous charges that are paid monthly; (v) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic head office maintenance cost, utilities expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vi) the expansion plan is delayed under such condition; (vii) there will be no further internal or external financing from Shareholders or financial institutions; and (viii) no further dividend will be declared and paid under such situation.

The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assessed that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development; therefore it is a possibility that such impact to our Group may be out of our Director's control and beyond our estimation and assessment.

Our contingency plan and response towards the COVID-19 outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan to minimise the disruptions that may be caused to our business operations, including identification of and discussions with various suitable alternative service subcontractors and material suppliers which meet our demands and requirements to ensure the stability and consistency of our services, sourcing of additional quantities of materials needed for our operations to reduce any disruptions that may cause, and implementation of the flexible rotation arrangements for our staff across the PRC with an aim to control and minimise possible community transmission of COVID-19 to ensure a stable workforce available. Further, we have also adopted enhanced hygiene and precautionary measures across the properties under our management since late January 2020. These measures include (i) regularly cleaning and disinfecting the common areas in our managed properties; (ii) monitoring the medical symptoms of the visitors at our managed properties by measuring their body temperatures; (iii) requiring our staff to wear suitable protective gear such as gloves and face masks; and (iv) promoting personal hygiene among our employees as well as property owners and residents of the properties we manage. We estimate that the additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, to be approximately RMB0.7 million for the year ending 31 December 2020. This mainly represents the material costs for masks, ethanol hand wash, disinfectants, infrared thermometers, etc. Our Directors confirm that the additional costs associated with the enhanced measures would have no significant impact on our Group's financial position for the year ending 31 December 2020.

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Effects of the COVID-19 outbreak on our business strategies

Currently, it is one of our business strategies to expand our geographic presence and business to at least five cities by 2021, including Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city. While the property market in the PRC may experience certain extent of impact as a result of the COVID-19 outbreak, given the continuous rise in the urban population and urbanisation rate in China, we believe that the demand for residential and commercial properties in areas with high population density and spending power, such as Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city will remain high. According to the CIC Report, the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run in Shanghai, Taiyuan city, Foshan city, Zhengzhou city and Wuxi city, and it is expected that once the outbreak is effectively controlled, the outlook for the demand of residential and commercial properties and related property management services in these cities will remain positive. We therefore believe that our expansion plan as discussed above is feasible, and it is unlikely that we would change the use of the net proceeds from the Global Offering as disclosed in the “Future plans and use of proceeds” in this prospectus as a result of the COVID-19 outbreak.

OUR TECHNOLOGICAL INITIATIVES

To strengthen our competitiveness, reduce our reliance on manual labour, enhance our cost and operational efficiency and optimise the standard of our services, we have adopted a range of automation efforts and technological solutions, including the following:

E-control centre (E控制中心)

We have established the E-control centre (E控制中心), a centralised control centre which operates 24 hours a day at our headquarters in Beijing. The E-control centre gathers real-time operational and surveillance information from the physical reception desks at each of our managed properties. We believe that the centralised E-control centre allows us to achieve service standardisation and improve operational efficiency.

400 hotline

The 400 hotline is connected to our centralised E-control centre. With 400 hotline, property owners and residents can conveniently make requests for customer services and lodge complaints 24 hours a day while we can offer prompt assistance to them.

Hongkunhui* 鴻坤薈

Hongkunhui* 鴻坤薈 is our one-stop online service platform adopted to allow property owners and residents of our managed properties to have access to our services conveniently. For details, please refer to “Our one-stop online service platform” below in this section.

H-Butler* 鴻管家

H-Butler* 鴻管家 is designed to facilitate our staff in the daily operations and management of properties. Through this mobile application, our staff can work remotely by directly accessing and handling work related matters on their mobile phones, thus enhancing the mobility of our staff and our efficiency in addressing the needs of our customers. For details, please refer to “Our one-stop online service platform” in this section below.

Automation and smart solution

To alleviate our staff from repetitive and redundant works in our daily operations, we have gradually adopted different forms of smart solutions and automated systems in our day-to-day operations. Apart from our Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家 mobile applications during the Track Record Period, we plan to gradually introduce a new automated system for our managed car parks. Through the use of artificial intelligence programming such as licence plate recognition programmes, which not only enables us to automate toll collection and other key car park management functions, it also enhances the service quality and experience for carpark users. For example, it could assist drivers in locating their parked vehicles. In the future, we plan to introduce various electronic monitoring devices and sensors to public facilities in our managed properties to monitor the use of different utilities such as electricity. Through automation of repetitive functions, our staff can be relieved from redundant tasks such as taking the reading of electricity meters, and can focus on other key property management functions that require more human interaction. Moreover, an automated system could increase efficiency, where problems could be automatically identified and pre-programmed solutions or measures could be swiftly set in motion to ensure smooth-running of our management services. We plan to integrate all public facilities into a centralised smart solution platform, where all of our public facilities can be monitored and controlled through this platform, thereby maximising our service efficiency and allowing us to continuously adapt to the ever changing demands of the property owners and residents through analysing the meta-data gathered.

OUR ONE-STOP ONLINE SERVICE PLATFORM

According to the CIC Report, the world is undergoing a revolutionary change as a result of the rapid evolution of the internet. Smart phones and mobile applications have become the essential tools in almost all industries. In response to such an inevitable transition and with an aim to provide property owners and residents of our managed properties with easy and convenient access to our services, in August 2018, we launched the mobile application, Hongkunhui* 鴻坤薈, a one-stop online service platform developed by Hongkun Group which we subsequently acquired in June 2019. Through Hongkunhui* 鴻坤薈, registered property owners and residents of our managed properties can make online payment of property management fees, arrange for household repairs, report any facility malfunction or damage to the common areas, follow-up on requests and complaints made to on-site property management staff, access to our information services and community news, directly interact with our customer service staff, and provide feedbacks and recommendations for us to improve our services. It also serves as an electronic front-door key for owners, residents and, with appropriate authorisation from the property owners or residents, visitors to access the property.

BUSINESS

To facilitate the operations and to improve efficiency and effectiveness in our provisions of property management services, in August 2018, we launched H-Butler* 鴻管家, a mobile application developed by Hongkun Group which we subsequently acquired in June 2019, for internal use by our property management staff to access our online management platform. Through this mobile application, our staff can report, and have access to the reports of, irregularities discovered by our staff during their patrol of the premises, as well as those reported by property owners or residents through the reporting function of Hongkunhui* 鴻坤薈, our 400 hotline or our on-site management office. H-Butler* 鴻管家 alerts and directs the staff nearby to assist and address the irregularities identified. The staff assigned after accepting the assignment and resolving the irregularities will make a report through H-Butler* 鴻管家. Where additional work is required, our staff could request for assistance and arrange for follow-up work using this mobile application. To ensure the needs of property owners and residents are quickly addressed, H-Butler* 鴻管家 alerts management (i) if an incident is reported but not assigned to staff within six minutes of receiving the report; (ii) if the incident is assigned but not addressed within 15 minutes of the assignment; or (iii) (where additional work is necessary) if the follow up work is not carried out within 24 hours.

In addition, our staff have access to (i) price lists for the value-added services available for the property; (ii) work allocation of other staff; (iii) customers' reports, complaints and enquiries; and (iv) (for management and senior staff members) statistics and information regarding (a) status of the managed property, and property owners and residents for each unit managed; (b) management fees overdue and collection status; and (c) source and areas of complaints.

We believe that, together with H-Butler* 鴻管家, Hongkunhui* 鴻坤薈 serves to increase our operational efficiency and allow us to provide swift responses to property owners and residents. We plan to continue to develop our one-stop online service platform and expand the scope of services and functions that we may offer to property owners and residents of our managed properties. Furthermore, it is our plan to develop a multifaceted ecosystem in our managed properties by expanding and diversifying the scope of our value-added services to include other new services such as travel agency services. To this end, we plan to collaborate with business partners to bring in a wider scope of services and products to our Hongkunhui* 鴻坤薈.

According to the Administrative Measures on Internet Information Services* (互聯網信息服務管理辦法) (“**IIS Measures**”), which were issued by the State Council and became effective on 25 September 2000, as amended 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 a certain internet information service is regarded as commercial or non-commercial depends on whether the provision of internet information is free or charged. Entities engaging in providing commercial internet information services shall apply for a licence for value-added telecommunication services of internet information services. As for the operations of non-commercial internet information services, only a filing with the relevant PRC government authorities is required. By way of example, under the IIS Measures, a company may sell its own products or services online without an internet content provider (“**ICP**”) licence as it is regarded as extending its own products or services to customers (as opposed to providing information of others for commercial purposes), whereas a company acting as an intermediary which sells products or services of other suppliers is required to obtain an ICP licence as it is making profit by the provision of internet information to facilitate commercial transactions between the suppliers and the customers. For details, please refer to “Regulatory overview – Legal supervision over the internet information services – supervision on internet information services” in this prospectus.

BUSINESS

During the Track Record Period and up to the Latest Practicable date, the services we provided through H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 were free of charge. The use of H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 is to facilitate our Group in our provision of property management services in terms of manpower saving, enhancement of efficiency and quality control. Our Group, however, does not charge the users for an additional fee for the use of H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 or the information our Group provides on such mobile applications. Our PRC Legal Advisers have advised us that (i) businesses conducted through H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 are regarded as non-commercial internet information services because we do not charge any fees for the provision of the internet information services directly or indirectly; (ii) the filing with the relevant PRC government authorities in respect of our provision of non-commercial internet information services through H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈 has been completed and no licence or permit is necessary or required for us to conduct our current business through H-Butler* 鴻管家 and Hongkunhui* 鴻坤薈; and (iii) our current business is not subject to foreign ownership restrictions under the relevant PRC laws and regulations. As further advised by our PRC Legal Advisers, our provision of the online payment services through Hongkunhui* 鴻坤薈 does not require any licence or permit, including the payment licence required by the Administrative Measures for Non-commercial Institutions Payment Service* (非金融機構支付服務管理費辦法) (the “**Measures**”), considering that (i) according to the Measures, online payment service providers who act as an intermediary between payees and payers are required to obtain payment licences; (ii) third party online payment service providers, including WeChat Pay and Alipay, are used on Hongkunhui* 鴻坤薈 and such online payment service providers have obtained the requisite payment licenses; and (iii) we have never developed and do not have our own electronic payment tools for the provision of fund transfer services on Hongkunhui* 鴻坤薈.

SALES AND MARKETING

Our market development department is primarily responsible for overall planning and development of our marketing strategy, conducting market research, and coordinating with our frontline management service staff to receive feedbacks from existing customers in order to refine our strategies. Our management team stationed in each property is responsible for the implementation of these marketing plans. As our customers are primarily (i) property developers; and (ii) property owners and residents, we have adopted different marketing approaches tailored to their different needs:

Property developers

During the Track Record Period, we derived most of our property management services revenue by providing services to properties developed by Hongkun Group. We expect that our provisions of property management services for properties developed by Hongkun Group will continue to provide us with a stable source of revenue. We will continue to maintain our mode of cooperation with Parent Group in the long run.

BUSINESS

In addition to maintaining our business relationship and capitalising on our ties with Parent Group, we continue to seek business opportunities from Independent Third Party property developers. We carry out research and endeavour to expand our property developer customer base by approaching our target property developers with our customised proposals. We have also implemented incentive plans to encourage our employees to obtain property management service contracts from third party property developers. We also seek to promote our brand, market our services, and increase our brand awareness through regular contacts with the participants in the property development industry.

In addition to property management services, we also provide sales assistance services (as part of our property developer related services) to property developers in relation to the sales of their properties.

Property owners and residents

We have implemented different marketing measures which tailor for different groups of property owners and residents. For instance, we have been promoting our brand and services through our mobile application Hongkunhui* 鴻坤薈, our website, self-media websites, Weixin public blogs and websites of the property management industry, participation in expositions and competition within the property management industry, attending property management related summits, participation in quality evaluation and exchanges and meetings within the property management industry, and taking part in community services. We actively promote ourselves and put up information on bulletin boards in our managed properties. As a means of marketing, we endeavour to build and maintain our brand image and reputation by continuing to refine and customise our management service quality and scope to the satisfaction of property owners and residents of our managed properties.

CUSTOMERS

Our customers primarily consist of property developers, tenants of non-residential properties, and residents of our managed properties.

BUSINESS

Details of our top five customers for the year ended 31 December 2016 are set forth below:

Ranking	Customer	Background and principal business	Type of service(s) rendered	Years of business relationship	Credit terms	Payment method	Percentage of total revenue	
							Revenue RMB'000	revenue %
1.	Parent Group	A group of PRC companies controlled by our Controlling Shareholders that principally engages in property development, property leasing, business investment and development, investment in and development of tourism activities and other businesses.	Property management services, property developer related services and value-added services for residential and non-residential properties located in the Beijing-Tianjin-Hebei Region, Hainan province and Hubei province mainly developed by this customer	Approximately 15 years	Payment in arrears on a monthly basis	Bank transfer	40,434	34.7
2.	Beijing Yonghui Supermarket Co., Ltd.* (北京永辉超市有限公司)	A PRC limited liability company that principally engages in the operation of supermarkets in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	2,041	1.8
3.	Customer A	A PRC limited liability company that principally engages in the operation of cinemas in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a quarterly basis	Bank transfer	816	0.7
4.	Customer B	A PRC limited liability company that principally engages in the operation of indoor playground for kids.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	621	0.5
5.	Customer C	A PRC limited liability company that principally engages in the operation of cafes in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	505	0.4
Total							44,417	38.1

BUSINESS

Details of our top five customers for the year ended 31 December 2017 are set forth below:

Ranking	Customer	Background and principal business	Type of service(s) rendered	Years of business relationship	Credit terms	Payment method	Revenue	Percentage of total revenue
							RMB'000	%
1.	Parent Group	A group of PRC companies controlled by our Controlling Shareholders that principally engages in property development, property leasing, business investment and development, investment in and development of tourism activities and other businesses.	Property management services, property developer related services and value-added services for residential and non-residential properties located in the Beijing-Tianjin-Hebei Region, Hainan province and Hubei province mainly developed by this customer	Approximately 15 years	Payment in arrears on a monthly basis	Bank transfer	74,659	39.0
2.	Kunshang (Beijing) Cultural Exchange Co., Ltd.* (昆尚(北京)文化交流有限公司)	A PRC limited liability company that principally engages in the operation of sports centre and "KunLun Fight" Competitions in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 4 years	Payment in advance on a quarterly basis	Bank transfer	2,943	1.5
3.	Beijing Yonghui Supermarket Co., Ltd.* (北京永辉超市有限公司)	A PRC limited liability company that principally engages in the operation of supermarkets in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	2,035	1.1
4.	Customer A	A PRC limited liability company that principally engages in the operation of cinemas in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a quarterly basis	Bank transfer	770	0.4
5.	Customer D	A PRC limited liability company that principally engages in the leasing of shared office space in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 4 years	Payment in advance on a quarterly basis	Bank transfer	751	0.4
Total							81,158	42.4

BUSINESS

Details of our top five customers for the year ended 31 December 2018 are set forth below:

Ranking	Customer	Background and principal business	Type of service(s) rendered	Years of business relationship	Credit terms	Payment method	Percentage of total revenue	
							Revenue <i>RMB'000</i>	revenue %
1.	Parent Group	A group of PRC companies controlled by our Controlling Shareholders that principally engages in property development, property leasing, business investment and development, investment in and development of tourism activities and other businesses.	Property management services, property developer related services and value-added services for residential and non-residential properties located in the Beijing-Tianjin-Hebei Region, Hainan province and Hubei province mainly developed by this customer	Approximately 15 years	Payment in arrears on a monthly basis	Bank transfer	91,232	36.3
2.	Kunshang (Beijing) Cultural Exchange Co., Ltd.* (昆尚(北京)文化交流有限公司)	A PRC limited liability company that principally engages in the operation of sports centre and "KunLun Fight" competitions in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 4 years	Payment in advance on a quarterly basis	Bank transfer	2,813	1.1
3.	Customer E	A PRC group listed both on the Shanghai Stock Exchange and the Stock Exchange that principally engages in mining and transportation of coal, and operating coal power plants in the PRC.	Property management services to this customer, being the owner of a residential property in Shaanxi province	Approximately 2 years	Payment in arrears on a monthly basis	Bank transfer	2,787	1.1
4.	Beijing Yonghui Supermarket Co., Ltd.* (北京永辉超市有限公司)	A PRC limited liability company that principally engages in the operation of supermarkets in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	2,035	0.8
5.	Customer A	A PRC limited liability company that principally engages in the operation of cinemas in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a quarterly basis	Bank transfer	1,658	0.7
Total							100,525	40.0

BUSINESS

Details of our top five customers for the eight months ended 31 August 2019 are set forth below:

Ranking	Customer	Background and principal business	Type of service(s) rendered	Years of business relationship	Credit terms	Payment method	Percentage of total revenue	
							Revenue RMB'000	revenue %
1	Parent Group	A group of PRC companies controlled by our Controlling Shareholders that principally engages in property development, property leasing, business investment and development, investment in and development of tourism activities and other businesses.	Property management services, property developer related services and value-added services for residential and non-residential properties located in the Beijing-Tianjin-Hebei Region, Hainan province and Hubei province mainly developed by this customer	Approximately 15 years	Payment in arrears on a monthly basis	Bank transfer	59,355	33.8
2	Customer E	A PRC Group listed both on the Shanghai Stock Exchange and the Stock Exchange that principally engages in the mining and transportation of coal, and operating coal power plants in the PRC.	Property management services to this customer, being the owner of a residential property in Shaanxi province	Approximately 2 years	Payment in arrears on a monthly basis	Bank transfer	1,887	1.1
3	Kunshang (Beijing) Cultural Exchange Co., Ltd.* (昆尚(北京)文化交流有限公司)	A PRC limited liability company that principally engages in the operation of sports centre and "KunLun Fight" Competitions in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 4 years	Payment in advance on a quarterly basis	Bank transfer	1,865	1.1
4	Customer A	A PRC limited liability company that principally engages in the operation of cinemas in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a quarterly basis	Bank transfer	1,516	0.9
5	Beijing Yonghui Supermarket Co., Ltd.* (北京永辉超市有限公司)	A PRC limited liability company that principally engages in the operation of supermarkets in the PRC.	Property management services and value-added services to this customer, being the tenant of a non-residential property in Beijing	Approximately 5 years	Payment in advance on a monthly basis	Bank transfer	1,330	0.7
Total							65,933	37.6

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any dispute with our customers which may have a material adverse effect on our business.

During the Track Record Period,

- the revenue derived from our top five customers accounted for approximately 38.1%, 42.4%, 40.0% and 37.6% of our total revenue, respectively; and
- save for Parent Group and Customer D, all of our top five customers are Independent Third Parties.

To the best of our Directors' knowledge, as at the Latest Practicable Date, save for Parent Group which was controlled by our Controlling Shareholders, and Customer D which our Controlling Shareholders had (i) an aggregate direct and indirect effective interests of 8.9% in Customer D; and (ii) an aggregate indirect effective beneficial interest of 9.7% in the controlling entity of Customer D, none of our Directors, their respective close associates, or the other Shareholders who, to the knowledge of our Directors, owned 5% or more of our issued share capital had any interest in any of our top five customers.

Our largest customer during the Track Record Period

During the Track Record Period, revenue derived from our largest customer, Parent Group, which was controlled by our Controlling Shareholders as at the Latest Practicable Date, accounted for approximately 34.7%, 39.0%, 36.3% and 33.8% of our total revenue, respectively.

The following table sets forth a breakdown of the revenue contributed by Parent Group by type of services for the periods indicated:

	Year ended 31 December			Eight months ended	
	2016	2017	2018	31 August 2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	7,053	12,678	28,523	15,243	18,535
Property developer related services	32,858	60,676	60,609	38,226	40,686
Value-added services <i>(Note)</i>	523	1,305	2,100	1,801	114
Total	40,434	74,659	91,232	55,270	59,335

Note: Our revenue from value-added services provided to Parent Group included revenue generated from our provisions of equipment repair and installation services through Hebei Norden during the Track Record Period. We ceased to provide such services subsequent to our disposal of our interest in Hebei Norden in December 2018.

BUSINESS

Reasons for customer concentration

According to the CIC Report, it is a common phenomenon in the real estate industry that property developers tend to engage their affiliated company which is a property management service provider to manage their properties. CIC is of the view that a property management service provider tends to have a higher rate of success in winning the tender bids organised by its affiliated property developer due to the long-term cooperative relationship and mutual trust between the affiliates. To the property developers, this could ensure that they will receive stable, consistent and reliable property management services to the properties they develop especially at the preliminary stage. To the property management service providers, this is a means to ensure a stable stream of revenue by capitalising on their deep understanding of and reliable corporate and business relationship with their respective affiliated property developers. Given such mutual benefits, it is inevitable in the property management industry for a property developer to become the major customer, contributing to a significant portion of the revenue of its affiliated property management service provider.

Our relationship with property developers

Our Directors believe that the recent measures on tightening PRC property developers' selling and fund/debt raising activities introduced by the PRC government may have a potential impact on the demand for our (i) property management services; and (ii) property developer related services, given the potential decline in the sales of properties which in turn discourages the construction of new residential properties in the PRC in the future.

Impact on the operations and financial performance of our Group

However, our Directors believe that such impact on our Group's overall operations and financial performance may not be significant due to the following reasons:

The recent measures increased the cost of lending to first home purchasers

According to the Announcement of PBOC [2019] No. 16 – Announcement on Matters Concerning the Interest Rate of Newly-granted Commercial Personal Housing Loans* (中國人民銀行公告[2019]第16號-新發放商業性個人住房貸款利率有關事宜公告) dated 25 August 2019, the interest rate of commercial personal housing loans for first homes shall not be lower than the loan prime rate, while that for second homes shall not be lower than the loan prime rate plus 60 basis points. The increase in the interest burden of home purchasers would undoubtedly curb people from purchasing and therefore likely to have the chain reaction in discouraging the construction of residential properties. That being said, our Directors are of the view that the new measures only serve to reflect the market practice already in place and are mainly targeted to control property speculation. According to the CIC Report, the interest rate for first home purchases had been on the rise since 2017 and that the average loan rate for first homes was approximately 5.68% in December 2018, which was around 1.16 times of the loan prime rate (i.e. 4.9%) at the time. The average loan rate for first homes began to decline in early 2019 but increased again in July 2019, reaching 5.51% in September 2019, which was around 1.12 times of the loan prime rate (i.e. 4.9%) at the time.

According to the CIC Report, given the decision to purchase a property is affected by a variety of factors, the increase in interest rate alone may not directly affect people's decision to purchase.

BUSINESS

Furthermore, our Directors believe that given the PRC government has continued with its policy for promoting urbanisation, the basic demand for residential properties created by the influx of population to new urban areas would not be materially affected. Combined with the constant demand created as a result of urban redevelopment, our Directors believe that overall demand for residential properties may not be materially affected and there will be no significant impact on our Group's overall revenue and profit from their provision of property management services.

The recent measures may lead to a decline in sales of properties, but unsold properties still need to be managed and maintained

The recent tightening measures implemented by the PRC government against the property developers may have a negative impact on the sales of properties, prolonging the time needed for sale of all units. To the best knowledge of our Directors after consulting Hongkun Group, the sales of properties developed by Hongkun Group had not been materially adversely affected since the implementation of the recent tightening measures and up to the Latest Practicable Date. Even if additional time is required to sell all units in the future, unsold properties will still need to be managed and maintained and usually the property developers will bear the management fees for the unsold properties. Therefore, our property management service for unsold properties will not be materially affected.

The recent measures may stimulate the sales of properties, at a discount

According to the CIC Report, it is observed that the recent implementation of tightening measures on PRC property developers' selling and fund/debt raising activities have resulted in certain influences on developers that are facing inadequate cash flow or high debt ratio problems, where such developers may be forced to lower the unit prices in order to improve payment collection. These tightening measures may however have limited impact on developers with a healthier financial condition. To the best knowledge of our Directors after consulting Hongkun Group, there was no significant fluctuation in the unit selling price of properties developed and sold by Hongkun Group, and Hongkun Group did not encounter any difficulty in its fund/debt raising activities since the implementation of the recent measures in July 2019 and up to the Latest Practicable Date. Furthermore, the lowering of property unit price may stimulate the overall potential buyers' desire to purchase. Therefore, in the short-term, the impact of the tightening measures on PRC property developers is limited, and the impact on the demand for property management services and property developer related services will also be insignificant in the short-term.

The recent measures may stimulate restructuring of property developers, increasing opportunities for acquisition of their affiliated property management service companies

The recent implementation of the tightening measures on PRC property developers' selling and fund/debt raising activities have resulted in certain influences to developers that are facing inadequate cash flow or high debt ratio problems, and such developers may need to find ways to improve their financial conditions. Our Director believe that, other than price reduction to stimulate sales of the property units, property developers may try to improve their financial position through consolidating their core businesses by means of disposal of ancillary business segments, such as their affiliated property management service arm, presenting our Group with more opportunities and targets for acquisition thus pushing forward our expansion plans.

BUSINESS

To the best knowledge of our Directors after consulting Hongkun Group, Hongkun Group maintained sufficient working capital and cash flows for its business operations and there had been no material adverse effect on Hongkun Group's financial conditions since the implementation of the tightening measures in July 2019 and up to the Latest Practicable Date. However, there is no assurance that the PRC government will not introduce additional or other tightening measures which may further affect the PRC property market in the future and hence affect the business of Hongkun Group in the long term.

Feasibility and effect on our Group's expansion plan

Our Directors believe that our Group's current expansion plan is feasible which is demonstrated by our Group's recent success in securing (i) a property management service agreement for a non-residential property in Shanghai in July 2019; (ii) two property management service agreements for two non-residential properties in September 2019, with one located in Chengde city, Hebei province and one located in Langfang city, Hebei province; and (iii) two property developer related service agreements for two residential properties in September 2019, with one located in Zhangjiakou city, Hebei province and one located in Foshan city, Guangdong province. This demonstrates that there are continued demands for our property management services and property developer related services. More importantly, our Directors believe that our success in securing a property management service agreement and a property developer related service agreement from Hongkun Group in respect of the properties it developed in Shanghai and Foshan city, Guangdong province, respectively, which are our targeted cities for expansion, demonstrates that we have the ability to carry out our expansion plan and that such expansion plan is feasible and practicable.

SUPPLIERS

Our suppliers primarily include (i) subcontractors providing cleaning, gardening, maintenance and site security services; (ii) utilities service providers; and (iii) suppliers of materials needed for our operations.

During the Track Record Period, save for our largest supplier, our fourth largest supplier for 2017 and fifth largest supplier for 2018, all of which supplied us with electricity, the rest of our top five suppliers were subcontractors providing us with certain services, and our purchases from our top five suppliers amounted to approximately RMB34.7 million, RMB41.4 million, RMB52.5 million, and RMB43.3 million, respectively, representing approximately 56.0%, 48.4%, 46.7% and 51.3% of our total purchases, respectively. Our major suppliers usually grant us a credit term of 20 days. We do not have any long-term or exclusive agreement with our top five suppliers. We typically enter into agreements with the duration of one year with our top five suppliers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delay, supply shortage or disruptions in our operations owing to our suppliers.

BUSINESS

Details of our top five suppliers for the year ended 31 December 2016 are set forth below:

Ranking	Supplier	Background and principal business	Product/service supplied	Years of business relationship	Credit term	Payment method	Purchases RMB '000	Percentage of total purchases %
1.	Supplier A <i>(Note)</i>	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 7 years	Payment in advance on a monthly basis	Bank transfer	22,278	35.9
2.	Leo Cleaning Service Co., Ltd.* (北京利奧美潔保潔服務有限公司)	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 4 years	20 days from date of invoice	Bank transfer	4,260	6.9
3.	Beijing Qianxiang Security Service Co., Ltd.* (北京千翔保安服務有限公司)	A PRC limited liability company that principally engages in the provision of security services in the PRC.	Security services	Approximately 5 years	20 days from date of invoice	Bank transfer	3,418	5.5
4.	Beijing Shiji Tiankui Environment Management Service Co., Ltd.* (北京世紀天睽環境管理服務有限公司)	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 4 years	20 days from date of invoice	Bank transfer	2,624	4.2
5.	Supplier B	A PRC limited liability company that principally engages in the provision of property management services in Tianjin, the PRC.	Subcontractor for property management	Approximately 4 years	Payment in arrears 15 days after month end	Bank transfer	2,145	3.5
Total							34,725	56.0

Note: Supplier A comprises the holding company and its subsidiaries.

BUSINESS

Details of our top five suppliers for the year ended 31 December 2017 are set forth below:

Ranking	Supplier	Background and principal business	Product/service supplied	Years of business relationship	Credit term	Payment method	Purchases RMB '000	Percentage of total purchases %
1.	Supplier A ^(Note 1)	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 7 years	Payment in advance on a monthly basis	Bank transfer	27,356	32.0
2.	Leo Cleaning Service Co., Ltd.* (北京利奧美潔保潔服務有限公司)	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 4 years	20 days from date of invoice	Bank transfer	5,088	6.0
3.	Beijing Qianxiang Security Service Co., Ltd.* (北京千翔保安服務有限公司)	A PRC limited liability company that principally engages in the provision of security services in the PRC.	Security services	Approximately 5 years	20 days from date of invoice	Bank transfer	3,944	4.6
4.	Supplier C ^(Note 2)	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 6 years	Payment in advance on a monthly basis	Bank transfer	2,842	3.3
5.	Supplier D	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 4 years	5 days from date of invoice	Bank transfer	2,132	2.5
Total							41,362	48.4

Notes:

1. Supplier A comprises the holding company and its subsidiaries.
2. Supplier C comprises the holding company and its subsidiaries.

BUSINESS

Details of our top five suppliers for the year ended 31 December 2018 are set forth below:

Ranking	Supplier	Background and principal business	Product/service supplied	Years of business relationship	Credit term	Payment method	Purchases RMB '000	Percentage of total purchases %
1.	Supplier A ^(Note 1)	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 7 years	Payment in advance on a monthly basis	Bank transfer	34,642	30.8
2.	Leo Cleaning Service Co., Ltd.* (北京利奧美潔保潔服務有限公司)	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 4 years	20 days from date of invoice	Bank transfer	5,517	4.9
3.	Supplier E	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 2 years	10 days from date of invoice	Bank transfer	4,619	4.1
4.	Beijing Yindun Security Service Co., Ltd.* (北京銀盾保安服務有限公司)	A PRC limited liability company that principally engages in the provision of security services in the PRC.	Security services	Approximately 3 years	20 days from invoice date	Bank transfer	4,128	3.7
5.	Supplier C ^(Note 2)	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 6 years	Payment in advance on a monthly basis	Bank transfer	3,582	3.2
Total							52,488	46.7

Notes:

1. Supplier A comprises the holding company and its subsidiaries.
2. Supplier C comprises the holding company and its subsidiaries.

BUSINESS

Details of our top five suppliers for the eight months ended 31 August 2019 are set forth below:

Ranking	Supplier	Background and principal business	Product/service supplied	Years of business relationship	Credit term	Payment method	Purchases RMB '000	Percentage of total purchases %
1	Supplier A ^(Note)	A state owned enterprise that principally engages in the provision of electricity in the PRC.	Electricity	Approximately 7 years	Payment in advance on a monthly basis	Bank transfer	22,311	26.4
2	Beijing Qianxiang Security Service Co., Ltd.* (北京千翔保安服務有限公司)	A PRC limited liability company that principally engages in the provision of security services in the PRC.	Security services	Approximately 5 years	20 days from date of invoice	Bank transfer	8,083	9.6
3	Supplier E	A PRC limited liability company that principally engages in the provision of cleaning services in the PRC.	Cleaning services	Approximately 2 years	10 days from date of invoice	Bank transfer	5,209	6.2
4	Supplier F	A PRC limited liability company that principally engages in the provision of labour services in the PRC.	Cleaning services	Approximately 1 year	5 days from date of month end	Bank transfer	3,855	4.6
5	Beijing Yindun Security Service Co., Ltd.* (北京銀盾保安服務有限公司)	A PRC limited liability company that principally engages in the provision of security services in the PRC.	Security services	Approximately 3 years	20 days from date of invoice	Bank transfer	3,838	4.5
Total							43,296	51.3

Note: Supplier A comprises the holding company and its subsidiaries.

During the Track Record Period,

- our purchases from our top five suppliers collectively accounted for approximately 56.0%, 48.4%, 46.7% and 51.3% of our total purchases, respectively; and
- the purchases from our largest supplier accounted for approximately 35.9%, 32.0%, 30.8% and 26.4% of our total purchases, respectively.

BUSINESS

To the best of our Directors' knowledge:

- during the Track Record Period and up to the Latest Practicable Date, all of our top five suppliers were Independent Third Parties; and
- as at the Latest Practicable Date, none of our Directors, their respective close associates, or the other Shareholders who, to the knowledge of our Directors, owned 5% or more of our issued share capital had any interest in any of our top five suppliers.

Subcontracting

To maximise our cost and operational efficiency, we outsource our cleaning, gardening, equipment maintenance, site security services and car park management to Independent Third Party subcontractors. We place great emphasis on selecting our subcontractors and monitoring the quality of their services. We believe that the subcontracting arrangement allows us to leverage the resources and expertise of the subcontractors, reduce our operating costs, and enhance our overall efficiency and profitability. To ensure the overall quality of our services, we maintain a list of approved subcontractors for each of the different types of service we need. During the Track Record Period, our subcontracting costs amounted to approximately RMB22.5 million, RMB36.5 million, RMB52.0 million and RMB45.4 million, respectively, representing approximately 28.7%, 29.5%, 30.7% and 41.5% of our total cost of services, respectively.

Based on our experience in the PRC property management industry, we believe that there are readily available subcontractors that could replace any of our existing subcontractors if necessary. Therefore, we do not consider our business operations to be reliant on any of our subcontractors.

Selection and management of subcontractors

We have put in place internal policy for the selection and management of our subcontractors. We select our subcontractors based on a number of criteria, including, among other things, their qualifications, expertise and track record experience, reputation, our past working relationship with them, the quality and reliability of their services provided, and price competitiveness. To ensure that the selected subcontractors meet our requirements and standards of services, we regularly monitor their performance and provide comments and suggestions to the designated personnel of the subcontractors on site from time to time. We evaluate our subcontractors on an annual basis, and we may adjust our list of approved subcontractors based on the results of our evaluation.

BUSINESS

Key terms of subcontracting agreements

We enter into subcontracting agreements with independent subcontractors on normal commercial terms. Set forth below is a summary of the key terms of our typical subcontracting agreements:

Scope of services	Typically include cleaning, gardening, equipment maintenance (such as elevator), site-security and/or car park management functions.
Subcontracting fees	Typically, the subcontracting fees are fixed.
Payment and credit term	Generally, we are given a credit period of 20 working days from receipt of their invoice.
Our responsibilities	Typically, we are required to provide our subcontractors with access to premises and provide assistance to facilitate their provision of services.
Subcontractor's responsibilities	The subcontractors are responsible for providing the services in accordance with the agreed scope and standards in compliance with the relevant laws and regulations. If the services rendered were below standard, the subcontractor shall rectify them to our satisfaction within a reasonable period. Subcontractors are required to manage their staff and there is no employment relationship between us and the staff assigned by the subcontractors.
Term of service	Typically ranging from one to two years.
Risk allocation	The subcontractors shall be responsible for all damages to property or injuries to person caused in their course of provisions of their subcontracting services. The subcontractors are required to indemnify us for any damage caused.
Non-assignment	We generally do not allow subcontractors to assign or subcontract their services, whether in whole or in part, unless with our prior consent.

BUSINESS

QUALITY CONTROL

As a reputable property management service provider, we prioritise quality in our services, and believe that quality control is crucial to the long-term success of our business. We have a dedicated quality control team that is primarily responsible for (i) overseeing the upkeep of service standards; (ii) standardising service procedures; and (iii) monitoring the implementation of these procedures.

Quality control over property management services

We have obtained GB/T 19001-2016/ISO 9001:2015, GB/T 24001-2016/ISO 14001:2015 and OHSAS 18001:2007 GB/T 28001-2011 certifications in recognition of our service quality. ISO 9001 is the international standard for a quality management system. ISO 14001 is a family of standards related to environmental management that exists to help organisations to (i) minimise the negative impact of their operations on the environment; (ii) comply with applicable laws, regulations, and other environmentally oriented requirements; and (iii) demonstrate continuous improvement in the above areas. OHSAS 18001 is an international occupational health and safety management system specification.

The following table sets forth details of the certifications we had obtained as at the Latest Practicable Date:

Certification	Granting authority	Issuance date	Expiration date
GB/T 19001-2016/ ISO 9001:2015	China Quality Certification Centre	11 January 2018	10 January 2021
GB/T 24001-2016/ ISO 14001:2015	China Quality Certification Centre	11 January 2018	10 January 2021
OHSAS 18001:2007 GB/T 28001-2011	China Quality Certification Centre	11 January 2018	10 January 2021

We have established internal guidelines and policies in accordance with the quality standards represented by our ISO certifications. Our operations centre is responsible for performing quality inspections at our managed properties from time to time and preparing evaluation reports. Such inspections normally cover various aspects of our managed properties, including general operations, safety measures and emergency handling. Based on the inspection findings and observations, our management teams at our managed properties may be required to make rectifications and improve their services.

Quality control procedures over subcontractors

We typically set out our quality standards and requirements for the services to be provided by subcontractors in our subcontracting agreements. We regularly monitor and review the performance of our subcontractors and may require them to take appropriate rectification measures for any substandard performance. If our subcontractors fail to perform their services in accordance with our standards and requirements or fail to rectify their substandard performance, we may find replacement from our list of approved subcontractors.

Feedback and complaint management

As part of our customer-oriented approach to providing property management services, we value our customers' feedback and suggestions. Our customers normally provide us with feedbacks and complaints by ringing up our 400 hotline, through our one-stop online service platform Hongkunhui* 鴻坤薈, or by physically visiting the reception desks at our managed properties. Furthermore, we initiate interviews with property owners and residents of our managed properties from time to time, with a view to seeking their feedbacks and suggestions to further improve our services. In addition, we, together with Hongkun Group, engage external consulting firms to conduct an annual survey on customer satisfaction which enables us to address the limitations in our services identified and improve our services in the future.

We place emphasis on handling customers' concerns and providing practical solutions in a timely manner. We have also formulated internal guidelines and procedures to guide our employees in responding to, recording and handling customer feedbacks and complaints. We require our employees to record all customer feedbacks and complaints. It is our policy that customer requests and complaints shall be responded to immediately and resolved within a specified time period. Depending on the nature of the complaint, we may arrange physical visits to better address our customers' concerns. After resolving our customers' requests and complaints, we may visit our customers to follow up on their case and record their comments. We also require our management team in each managed property to conduct monthly analysis of the customer feedbacks and complaints to avoid recurrence of similar incidents in the future.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaint about our services that would have a material adverse effect on our operations or financial performance.

BUSINESS

OUR CASH MANAGEMENT POLICY

We receive payments of our fees for our provisions of services, namely property management services, property developer related services and value-added services through various means, mostly by means of bank transfers, cheque payments and online transfer via our mobile application Hongkunhui* 鴻坤薈, and a relatively low portion in cash. During the Track Record Period, approximately 14.6%, 9.9%, 6.0% and 3.8% of our total revenue were received in cash, respectively.

We have implemented a cash management system to manage our cash inflows and outflows in ordinary course of our business. Set forth below are the details of our cash management policy:

Cash flow transactions

Cash handling policies and internal control measures

Cash inflow in relation to payments of property management fees, deposits and service fees from our customers

Our customer service staff is specifically responsible for cash collection at the reception desks at our managed properties. The management team stationed at each of our managed properties (i) perform daily check on the actual amount of cash received against the bills issued; and (ii) deposit the cash received into our bank accounts on a daily basis. We also perform monthly reconciliation to identify any discrepancy between cash on hand and bank account balance.

Cash outflow in relation to payments made to our suppliers and subcontractors

Before making payments to suppliers and subcontractors, we have to submit applications setting out the purpose of the payments, amount involved and other relevant information. Our financial management department at our headquarters is responsible for reviewing and approving the payment requests.

Cash inventory and deposits

When the cash on hand exceeds a certain level, we deposit the excess amount into our bank accounts in a timely manner.

We also put in place security measures, such as surveillance cameras and safety boxes to ensure safe storage of the cash we receive.

Opening of and managing bank accounts

We have in place internal policies and procedures relating to the opening of bank accounts. Our financial management department at our headquarters is responsible for the overall monitoring and management of the bank accounts we maintain.

BUSINESS

RESEARCH AND DEVELOPMENT

During the Track Record Period, we did not incur any expenditure for research and development. We intend to increase our expenditure on research and development in the future, particularly in relation to the optimisation of our information systems and one-stop online service platform – Hongkunhui* 鴻坤薈. For more details, please refer to “Our business strategies – Further develop and enhance our information systems and technological initiatives to maximise our cost and operational efficiency and optimise our customer service” in this section and “Future plans and use of proceeds” in this prospectus.

MARKET COMPETITION

According to the CIC Report, from 2014 to 2018, the market size of the property management industry in the PRC (in terms of the total GFA of properties under management) increased from approximately 14.6 billion sq.m. to approximately 21.7 billion sq.m., representing a CAGR of approximately 10.4%, and is expected to grow at a CAGR of approximately 9.7% from 2018 to 2023. It is expected that various market drivers will contribute to the growth of the PRC property management industry. These drivers include, among other things, (i) growing urban population and per capital housing area; (ii) continuous investments in PRC real estate market; (iii) increasingly diversified value-added services; (iv) rising property management fees; and (v) favourable government policies.

According to the CIC Report, the property management industry in Beijing is fairly fragmented. In 2018, the top 10 players in the non-SOE-related developer-affiliated property management market in Beijing accounted for approximately 11.8% market share in terms of the total GFA under management, where we ranked ninth with a market share of approximately 0.7%. According to the CIC Report, the success and performance of PRC property management companies depend on their service quality, scale of operations, brand reputation and sustainable capital inputs. We have been ranked one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by CIA for four consecutive years since 2016 and we ranked 48th among the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) in 2019. We believe that we are able to compete with other industry players due to our competitive strengths, which include (i) our rapid business development with future growth prospects; (ii) quality services with high customer satisfaction rates and contract renewal ratio; (iii) diversified value-added services; and (iv) our experienced and professional management team with an efficient internal management system. Furthermore, according to the CIC Report, new market entrants will face various barriers when entering the PRC property management industry, such as (i) brand recognition and loyalty; (ii) industry experience; (iii) capital requirements; and (iv) technological capabilities.

For more details about the industry and markets that we operate in, please refer to the “Industry overview” in this prospectus.

BUSINESS

OUR PROPERTIES

Owned property

As at the Latest Practicable Date, we owned the following residential property:

Location	Area (sq.m.)	Use of property
Room 1902, Unit 2, Building 30 Hongkun Ideal Life Zhuozhou city, Hebei province, PRC* (中國河北省涿州市鴻坤理想灣 第30幢2單元1902號房)	87.56	Staff quarters

The property listed above is used by us for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 31 December 2018, no single property interest that forms part of our non-property activities has a carrying amount of 15.0% or more of our total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Companies (WUMP) Ordinance, and accordingly, no valuation report is required to be included in this prospectus with respect to our Group's interests in land or buildings.

We entered into a sale and purchase agreement with the property developer on 23 January 2017 for the purchase of the abovementioned property. As at the Latest Practicable Date, the property developer had submitted application for the initial property registration which is the necessary prerequisite for us to apply for and obtain the building ownership certificate (房屋產權證). As advised by our PRC Legal Advisers, the sale and purchase agreement is valid and legally binding under the PRC laws and we will have full legal title to the abovementioned property after we have obtained the said building ownership certificate.

Leased property

As at the Latest Practicable Date, we leased the following property:

Location	Area (sq.m.)	Use of property
No. 108-1, Building 1, No. 45, Xinrong north street, Xihongmen town, Daxing district, Beijing, PRC* (中國北京市大興區西紅門鎮欣榮北 大街45號院1號樓108-1號)	800	Office

BUSINESS

Our Directors confirm that we are using the above leased property in accordance with the permitted usages under the relevant lease agreement. As at the Latest Practicable Date, we were not aware of any challenge being made by a third party on title of the above leased property which might affect our current occupation.

As at the Latest Practicable Date, the lease agreement for the above leased property had not been registered with the local housing administration authorities as required under the PRC laws, primarily due to the lack of cooperation from our landlord in registering the relevant lease agreement which is beyond our control. Our PRC Legal Advisers have advised us that we might be ordered to rectify such non-registration by the competent authorities and if we shall fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 may be imposed as a consequence. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreement described above. As advised by our PRC Legal Advisers, the failure to register the lease agreement would not affect the validity of the lease agreement or the use of the leased property. Our Directors are of the view that such non-registration would not have any material adverse effect on our business operations or financial performance.

In the event that we are required to relocate from the leased property, given the nature of our operations and our usages of the leased premises, we do not consider that the relocation, if any, would result in any material disruptions to our business as alternative premises on comparable terms and conditions are readily and easily available on the market. Notwithstanding that we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We are subject to the PRC laws and regulations in relation to labour, safety and environment protection matters. We have established occupational safety systems, implemented GB/T 28001 standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

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

BUSINESS

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damage or personal injury suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damage to both movable and immovable property owned by us or in our custody. We further require subcontractors to purchase accident insurance for their employees who provide services on the premises of the properties we manage.

We are covered by liability and property insurance policies with coverage features that we believe are customary for companies engaging in the same and similar business in the PRC. However, our insurance coverage may not be adequate, which may result in adverse effects on our business. For more details, please refer to the “Risk factors – Risk relating to our business – Our insurance policies may not provide adequate coverage for all claims associated with our business operations” in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

We believe that our intellectual property rights are critical to our business operations. We rely on a combination of trademarks and domain name registrations to protect our intellectual property rights.

As at the Latest Practicable Date, we owned one domain name, namely **www.hongkunwuye.com**, and one trademark in the PRC.

In addition, we have entered into a trademark licence agreement with Hongkun Group, pursuant to which Hongkun Group has granted us the rights to use 13 trademarks in the PRC and five trademarks in Hong Kong on a royalty free basis. For further details, please refer to “B. Further information about our business – 2. Intellectual property of our Group” in Appendix V to this prospectus and “Connected transactions – (B) Fully exempt continuing connected transactions” in this prospectus.

As at the Latest Practicable Date, our Directors were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us. Further, as at the Latest Practicable Date, we were not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material adverse effect on our business.

BUSINESS

EMPLOYEES

Our employees

As at the Latest Practicable Date, we had a total of 1,069 full-time employees. The following table sets forth the number of our employees by functional role as at the Latest Practicable Date:

	Number of headcount
Operations centre	66
Financial management	24
Human resources and administration	24
Engineering management	68
Property management and maintenance	882
Market development	<u>5</u>
Total	<u><u>1,069</u></u>

The following table sets forth the number of our employees by geographic location as at the Latest Practicable Date:

	Number of headcount
Beijing	472
Tianjin	132
Hebei province	260
Hainan province	90
Hubei province	83
Anhui province	20
Jiangsu province	7
Hong Kong	<u>5</u>
Total	<u><u>1,069</u></u>

As at the Latest Practicable Date, our employees had not formed any labour unions. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant labour disputes that had a material adverse effect on our business. Our Directors believe that we have maintained a good working relationship with our employees.

Save for the incidents disclosed in “Legal proceedings and compliance” in this section below, we have made social insurance and housing provident fund contributions for our employees in accordance with the applicable PRC laws and regulations.

Recruitment

Our human resources and administration department is responsible for recruitment. Given the labour-intensive nature of the property management industry, we place great emphasis on recruiting qualified and competent employees to provide quality property management services to our customers. To this end, we have established internal policies and procedures relating to our recruitment process. Our recruitment process primarily comprises the following key stages:

Recruitment request

Our human resources and administration department collects job vacancies information from within our Group and issue job postings with detailed position descriptions and requirements.

Sourcing candidates

We source candidates through a variety of channels, including internal transfer and promotion, online recruiting advertisements, employee referrals, headhunters and campus recruitment and career fairs.

Screening and selection

Our review and screening of candidates take into account a variety of factors, such as the applicant's education credentials, work experience, professional qualifications and knowledge, personality and the applicant's interview performance. We value ability as well as morality in choosing the right candidates.

Hiring

For selected candidates who successfully pass our interviews and internal approval procedures, we assign them to the designated positions, set their salary levels and assist them with completing orientation and necessary documentation.

Employee training

We are of the view that our employees are key to our service quality and customer satisfaction. Training is one of the measures we adopt to retain and motivate talented staff. We provide systematic and extensive training to our employees, with a view to ensuring our employees are adequately equipped with the professional skills necessary to deliver consistently high-quality property management services to our customers. Our human resources and administration department is responsible for devising training programmes for our employees, allocating resources for training, as well as maintaining employee training records. We draw up and review our training curriculums after taking into account a number of factors, including customer feedbacks and suggestions, our internal policies, as well as recent industry developments and trends. After the orientation trainings, new recruits will be assigned to their designated positions where senior team members will continue to provide on-the-job training. For selected new hires and existing staff that demonstrate strong potential, we provide them with further management training through sending them to attend management and leadership skills enhancement classes organised by Independent Third Party training agencies.

BUSINESS

Employee retention

We believe that the morale and performance of our staff are directly linked to our business development and growth. In addition to a competitive remuneration package and opportunities for promotions and advancements, we also reward our staff with a competitive performance-based monthly bonus, which is paid out to our employees with their salaries every month. We consider our performance-based bonus to be one of the more attractive features of our remuneration package, and a significant driving factor in the performance of our staff.

AWARDS AND RECOGNITION

Over the years, we have received numerous awards from various entities in the PRC in recognition of the quality of our services. The table below sets out the major industry and business awards and recognitions we had received during the Track Record Period and up to the Latest Practicable Date:

Year	Honour/Award	Awarding entity
2019	2019 Property Management Industry Model Project in the PRC* (Hongkun – Ideal Life*) (2019 中國物業服務行業示範基地) (項目：鴻坤·理想灣)	CIA
2018	2018 Top 30 Blue Chip Property in the PRC* (2018中國藍籌物業30強)	The Economic Observer (經濟觀察報)
2018	Top 50 Model Community Services Company (in terms of customers' satisfaction) in the PRC* (2018 中國社區服務商·客戶滿意度模範企業50強)	EH Consulting (億翰智庫)
2018	Top 100 Model Community Services Company in the PRC* (2018 中國社區服務商100強)	EH Consulting (億翰智庫)
2018	First batch of unicorn company candidates under the “Good Life” brand scheme in the PRC* (中國“美好生活”品牌計劃首批候選獨角獸企業)	Leju Finance* (樂居財經)

BUSINESS

Year	Honour/Award	Awarding entity
2018	2018 Most Innovative Property Management Brand in the PRC* (2018中國最具創新力物業管理品牌)	China Brand Economy Research Institute* (中國品牌經濟研究院), China Enterprise Brand Economy Forum* (中國企業品牌經濟峰會)
2018	2018 China's Property Growth Leader* (2018中國物業成長性領先企業)	CIA
2018	2018 Property Management Industry Model Project in the PRC* (Hongkun – Sunrise Hills* and Hongkun – Ideal Coast*) (2018中國物業服務行業示範基地) (項目：鴻坤·曦望山及鴻坤·理想海岸)	CIA
2017	Level One Qualification Certificate for Property Management Enterprise in the PRC* (中華人民共和國物業服務企業一級資質證書)	MOHURD
2017	2017 Leading Top 100 Property Management Enterprises in the PRC in terms of overall strength* (2017中國物業管理企業綜合實力100強)	The Real Estate Institute of China* (中國房地產業協會), Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院), China Real Estate Appraisal Centre* (中國房地產測評中心)
2017	A member of the 3 • 15 Creditability System* (3 • 15誠信體系單位)	The Office of the 315 System Engineering and Construction of China Consumer Protection Foundation* (中國保護消費者基金會3 • 15系統工程建設辦公室)
2017, 2018	Unique Brand Property Management Company in the PRC* (中國物業服務特色品牌企業—鴻生活生態體系)	CIA

BUSINESS

Year	Honour/Award	Awarding entity
2017	2017 City-wide excellent property service for residential community* (Hongkun – Rhone Valley*) (2017年度全市物業服務優秀住宅小區) (項目：鴻坤•果嶺墅)	Langfang Municipal Housing and Property Management Bureau* (廊坊市住房保障和房產管理局)
2017	Baoding Residential Community Management Excellence* (Hongkun – Ideal Life*) (保定市物業管理優秀住宅小區) (項目：鴻坤•理想灣)	Baoding Municipal Commission of Housing and Urban-Rural Development* (保定市住房和城鄉建設局)
2017	2017 Property Management Industry Model Project in the PRC* (Hongkun – Wood and Life Villa* and Hongkun – Flower and Life Villa*) (中國物業服務行業示範基地) (項目：鴻坤•林語墅及鴻坤•花語墅)	CIA
2016, 2017, 2018, 2019	Top 100 Property Management Companies in the PRC* (中國物業服務百強企業)	China Property Management Institute* (中國物業管理協會), CIA
2016	Beijing City Property Management Model Project (Four Star)* (Hongkun – Pike County*, Hongkun – Grand Slam* and Hongkun – Ideal City*) (北京市物業管理示範項目(四星級)) (項目：鴻坤•派郡、鴻坤•大滿貫及鴻坤•禮域府)	Beijing Municipal Commission of Housing and Urban-Rural Development* (北京市住房和城鄉建設委員會)
2016	Member of the Executive Council of the Beijing Institute of Property Management* (北京物業管理行業協會理事單位)	Beijing Institute of Property Management* (北京物業管理行業協會)
2016	Member of the China Property Management Institute* (中國物業管理協會會員單位)	China Property Management Institute* (中國物業管理協會)

BUSINESS

LICENCES, APPROVALS AND PERMITS

Our PRC Legal Advisers confirm that, as at the Latest Practicable Date, we had obtained all material licences, approvals and permits from relevant PRC authorities for our operations in the PRC and all of them remained valid and in force.

Set out below are the material licences and permits held by us in the PRC as at the Latest Practicable Date:

Number	Licences/Permits	Issuing organisation	Date of grant	Date of expiry
Beijing Hongkun				
1.	Civil Air-defence Construction Use Certificate (2016-22))* (人防工程使用證(公京[大]防用字2016-22號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	22 November 2019	21 November 2020
2.	Civil Air-defence Construction Use Certificate (2016-23))* (人防工程使用證(公京[大]防用字2016-23號))	Beijing Daxing District Civil Defence Bureau* (北京市大興區民防局)	30 November 2018	29 November 2019 <i>(Note)</i>
3.	Civil Air-defence Construction Use Certificate (2015-3))* (人防工程使用證(公京[大]防用字2015-3號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	2 January 2020	9 August 2020
4.	Civil Air-defence Construction Use Certificate (2015-2))* (人防工程使用證(公京[大]防用字2015-2號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	2 January 2020	9 August 2020
5.	Civil Air-defence Construction Use Certificate (2013-15))* (人防工程使用證(公京[大]防用字2013-15號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	13 November 2019	12 November 2020

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Number	Licences/Permits	Issuing organisation	Date of grant	Date of expiry
6.	Civil Air-defence Construction Use Certificate (2015-51)* (人防工程使用證(單京[大]防用字2015-51號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	25 October 2019	24 October 2020
7.	Civil Air-defence Construction Use Certificate (2015-4)* (人防工程使用證(公京[大]防用字2015-4號))	Beijing Daxing District Civil Air-defence Office* (北京市大興區人民防空辦公室)	2 January 2020	9 August 2020
8.	Hygiene Licence (2019-00006)* (衛生許可證(大衛水監字[2019]第00006號))	Beijing Daxing District Health and Family Planning Commission* (北京市大興區衛生和計劃生育委員會)	10 January 2019	9 January 2023
9.	Hygiene Licence (2018-00031)* (衛生許可證(大衛水監字[2018]第00031號))	Beijing Daxing District Health Commission* (北京市大興區衛生健康委員會)	31 December 2019	30 December 2023
10.	Hygiene Licence (2018-00072)* (衛生許可證(大衛水監字[2018]第00072號))	Beijing Daxing District Health and Family Planning Commission* (北京市大興區衛生和計劃生育委員會)	24 April 2018	23 April 2020
11.	Hygiene Licence (2017-00003)* (衛生許可證(大衛水監字[2017]第00003號))	Beijing Daxing District Health and Family Planning Commission* (北京市大興區衛生和計劃生育委員會)	27 December 2018	26 December 2020
Beijing Hongkun Dongfang Branch				
1.	High-risk Sports Project Business Licence (46900720180001)* (高危險性體育項目經營許可證(46900720180001))	Dongfang Culture, Radio, Television and Sports Bureau* (東方市文化廣電出版體育局)	18 September 2018	31 December 2023
2.	Hygiene Licence (2017-050122)* (衛生許可證(東衛公證字(2017)第050122號))	Dongfang Health and Family Planning Commission* (東方市衛生和計劃生育委員會)	6 December 2017	5 December 2021

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Number	Licences/Permits	Issuing organisation	Date of grant	Date of expiry
3.	Drinking Water Hygiene Licence ([2019]469007-03004)* (飲用水衛生合格證(琼衛水設證字(2019)第469007-03004號))	Dongfang Health and Family Planning Commission* (東方市衛生和計劃生育委員會)	24 June 2019	23 June 2023

Beijing Hongkun Sanya Branch

1.	Public Premises Hygiene Licence (2019-0014)* (公共場所衛生許可證((吉)衛公證字[2019]第0014號))	Sanya Jiyang District Health and Family Planning Bureau* (三亞市吉陽區衛生和計生局)	7 May 2019	21 January 2023
2.	Public Premises Hygiene Licence (2018-0036)* (公共場所衛生許可證((三)衛公證字[2018]第0036號))	Sanya Health and Family Planning Commission* (三亞市衛生和計劃生育委員會)	23 January 2018	22 January 2022
3.	High-risk Sports Project Business Licence (2019-201)* 高危險性體育項目經營許可證(瓊F高危(2019)201號)	Sanya Tourism and Culture, Radio, Television and Sports Bureau* (三亞市旅遊和文化廣電體育局)	29 July 2019	28 July 2024

Beijing Hongkun Tianjin Branch

1.	Tianjin Secondary Water Supply Facilities Cleaning and Disinfection Certificate (WQJZ218)* (天津市二次供水設施清洗消毒證明(津二供清字第WQJZ218號))	Tianjin Wuqing District Water Affairs Bureau* (天津市武清區水務局)	13 January 2020	4 June 2020
2.	Hygiene Licence (2017-00022)* (衛生許可證(津(武清)衛水證字[2017]第00022號))	Tianjin Wuqing District Administrative Examination and Approval Bureau* (天津市武清區行政審批局)	21 March 2017	20 March 2021

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Number	Licences/Permits	Issuing organisation	Date of grant	Date of expiry
Tianjin Hongsheng				
1.	Hygiene Licence (2018-00048)* (衛生許可證(津(武清) 衛水證字[2018] 第00048號))	Tianjin Wuqing District Administrative Examination and Approval Bureau* (天津市武清區行政 審批局)	4 January 2018	3 January 2022
Beijing Hongkun Property Management				
1.	Hygiene Licence (2016-00064)* (衛生許可證(朝衛水監 字[2016]第00064號))	Beijing Chaoyang District Health and Family Planning Commission* (北京市朝陽區衛生和 計劃生育委員會)	15 May 2018	14 May 2020
2.	Civil Air-defence Construction Use Certificate (A26-014)* (人防工程使用證(京[朝] 防用字A26-014號))	Beijing Chaoyang District Civil Air-defence Office* (北京市朝陽區人民防空 辦公室)	7 June 2019	6 June 2020
Beijing Cloud Era				
1.	Food Business Licence (JY31131011450621)* (食品經營許可證 (JY31131011450621))	Beijing Food and Drug Administration Economic and Technological Development Branch* (北京市食品藥品監督 管理局經濟技術開發區 分局)	18 October 2017	17 October 2022
2.	Food Business Licence (JY31131012366760)* (食品經營許可證 (JY31131012366760))	Beijing Food and Drug Administration Economic and Technological Development Branch* (北京市食品藥品監督 管理局經濟技術開發區 分局)	26 April 2019	25 April 2024
Beijing Hongkun Valley				
1.	Food Business Licence (JY31115072196986)* (食品經營許可證 (JY31115072196986))	Beijing Daxing District Food and Drug Administration* (北京市大興區食品藥品 監督管理局)	12 December 2018	11 December 2023

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Number	Licences/Permits	Issuing organisation	Date of grant	Date of expiry
	Hongkun (Beijing) Business Management			
1.	Civil Air-defence Construction Use Certificate (2015-35)* (人防工程使用證 (公京[大]防用字 2015-35號))	Beijing Daxing District Civil Defence Bureau* (北京市大興區民防局)	12 June 2019	11 June 2020

Note: As at the Latest Practicable Date, we had applied to extend the validity periods of the certificates. As advised by our PRC Legal Advisers, we do not expect to encounter any material difficulty in extending the validity periods of such certificates.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licences, approvals and permits for our business operations. As advised by our PRC Legal Advisers, we do not expect to encounter any legal obstacle in renewing the necessary licences, approvals and permits when they expire.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may from time to time become a party to legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any legal or other disputes with customers, suppliers, subcontractors or other persons which were material to our business, results of operations and financial position. Our Directors confirm that, as at the Latest Practicable Date, we were not involved in any material legal, arbitral or administrative proceedings. Further, as at the Latest Practicable Date, our Directors were not aware of any threat of, any claims or any legal, arbitral or administrative proceedings, which may likely to have a material adverse effect on our business, results of operations or financial position.

Legal compliance

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

Social insurance and housing provident fund contribution

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>We failed to register for and/or make full contributions to social insurance and housing provident funds for some of our employees as required by the PRC laws and regulations. These non-compliance incidents occurred primarily because (i) some of our employees chose not to be enrolled in the social insurance fund and/or housing provident fund as they did not want to bear their portion of the contributions; and/or (ii) our inadequate understanding of the requirements under the PRC laws and regulations.</p> <p>As at 31 August 2019, the aggregate outstanding amount of our social insurance and housing provident fund contributions was approximately RMB 10.2 million and RMB 9.2 million, respectively.</p>	<p>Our PRC Legal Advisers have advised us that, under the PRC laws and regulations, we may be subject to a fine ranging from one to three times of the unpaid amount of the social insurance fund contribution for failing to make the social insurance registration for employees within the prescribed time limit. The principals who bear direct responsibilities and other persons with direct responsibilities for failing to make such registration shall be liable for a fine in range of RMB 500 to RMB 3,000. If any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee within a certain period, we may be subject to a fine ranging from one to three times of the total unpaid amount of the social insurance fund contribution.</p>	<p>We obtained written and/or oral confirmations from the competent PRC authorities of cities and counties where the majority of our employees are located at, stating that (i) no record shows that there was any violation of relevant laws and regulations regarding the social insurance and housing provident fund contributions; and (ii) no administrative penalty had been imposed on our relevant PRC subsidiaries and branches.</p> <p>Our PRC Legal Advisers are of the opinion that the relevant written/oral confirmations are addressed by competent authorities.</p> <p>Our Directors confirmed that our Group companies had never been subject to any penalty or punishment imposed by the relevant competent authorities in the PRC for any violation of social insurance or housing provident funds regulations.</p>

Non-compliance incidents and reasons

Legal consequences and potential maximum penalties

Our PRC Legal Advisers have also advised us that, we will be fined in the range of RMB10,000 to RMB50,000 for failing to make the housing provident fund registration for employees within the prescribed time limit. In the event that any competent government authority is of the view that the housing provident fund contributions we made did not satisfy the requirements under PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period. If we fail to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC.

Based on the relevant PRC laws and regulations set out above, our potential maximum liabilities (namely the aggregate outstanding amount of our social insurance and housing provident fund contributions and the late payment fee on the outstanding amount of our social insurance contribution) as a result of the non-compliance incident amounted to approximately RMB22.6 million as at 31 August 2019.

Based on the outstanding amount of our social insurance contribution of approximately RMB10.2 million as at 31 August 2019, the potential maximum penalty which may be imposed on us if we fail to make required payment within the prescribed period amounts to approximately RMB30.6 million as at 31 August 2019.

Remedies and rectification measures taken

As confirmed by our Directors, with respect to (i) the historical non-payment of social insurance contributions; (ii) the non-payment of housing provident funds contributions; and (iii) the payment of such contributions based on a lower standard instead of their actual salaries:

- (a) such arrangements were made after negotiating and reaching consensus with our employees, of whom certain of them were reluctant to make payments for such contributions; and
- (b) no objection or complaint had ever been raised by our employees with respect to the said arrangements as at the Latest Practicable Date.

We have started arranging the payment of social insurance and housing provident funds contributions for our existing and newly hired employees in accordance with the applicable PRC laws and regulations since July 2019.

Our Controlling Shareholders have agreed to indemnify our Group for all incidents of non-compliance, violation or breach related to the making of the social insurance and housing provident fund contribution.

Non-compliance incidents and reasons**Legal consequences and potential maximum penalties****Remedies and rectification measures taken**

Our Directors are of the view that no provision in respect of the unpaid amount of social insurance and housing provident fund is required to be made, based on (i) confirmations from local social insurance and housing provident fund authorities as stated above; (ii) their assessment of various factors including the nature and amount of the non-compliance; (iii) the indemnity from our Controlling Shareholders in favour of our Group in respect of non-compliance; and (iv) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labour arbitration tribunals or the PRC courts regarding disputes in this regard.

In view of the above, our PRC Legal Advisers are of the view that the risk of us being penalised for our aforementioned failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees is remote.

Our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the Listing.

Loans between us and our fellow subsidiaries

Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>We have entered into several lending transactions with our fellow subsidiaries during the Track Record Period which were prohibited under the General Lending Provisions* (貸款通則) (the “General Lending Provisions”) promulgated by the PBOC in 1996, as advised by our PRC Legal Advisers.</p> <p>Our loan due from a fellow subsidiary in the amount of RMB30.0 million bore an annual interest rate of 6% for January 2016 and 10% from February 2016 to September 2017, respectively and our loan due from the same fellow subsidiary in the amount of RMB3.7 million bore an annual interest rate of 10% from January to September 2017.</p>	<p>Our PRC Legal Advisers advised that under the General Lending Provisions, loans between non-financial institutions are prohibited and the PBOC may impose on the non-compliant lender a penalty equivalent to one to five times of the income generated (being interests charged) from such lending transaction.</p> <p>Based on the total amount of the loans between us and our fellow subsidiaries, the potential maximum penalty which may be imposed by the PBOC on us amounts to approximately RMB25.1 million as at 31 August 2019.</p>	<p>As confirmed by our Directors, in respect of the lending transactions between us and our fellow subsidiaries:</p> <p>(a) we have never been subject to any penalties, legal proceedings, investigation or notice from any relevant competent authorities as at the Latest Practicable Date;</p> <p>(b) we have never received any complaints, demands or objections from our fellow subsidiaries as at the Latest Practicable Date;</p> <p>(c) the loans were funded from the internal financial resources of the relevant lenders;</p> <p>(d) the loans were used in the ordinary course of business and operation;</p> <p>(e) all of our interest-bearing loans due from our fellow subsidiaries were fully settled in 2017; and</p> <p>(f) all of our outstanding loans due from fellow subsidiaries as at 31 August 2019 will be settled before the Listing.</p>

Non-compliance incidents

Our other loans due from fellow subsidiaries as at 31 December 2016, 2017 and 2018 and 31 August 2019 amounted to approximately RMB37.1 million, RMB45.5 million, RMB57.3 million and RMB106.5 million, respectively, which were interest-free and mainly represented fund transfers and expenses paid by our Group on behalf of the fellow subsidiaries.

Legal consequences and potential maximum penalties

Remedies and rectification measures taken

Our Directors further undertake that our Group will not enter into any non-trade nature intercompany funding arrangements between us and our fellow subsidiaries after the Listing.

Our PRC Legal Advisers further advised that according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (最高法院關於審理民間借貸案件適用法律若干問題的規定) (the “**Provisions concerning Private Lending Cases**”) promulgated on 23 June 2015 and effective on 1 September 2015, loans between non-financial institutions are legal if they are extended for purposes of financing production or business operations except where the contracts for lending are void under the PRC Contract Law or fall within the scope of void lending contracts as particularly provided in the Provisions concerning Private Lending Cases and the PRC courts will also support a lender's claim for interest in respect of such loan as long as the annual interest rate charged does not exceed 24%.

In view of the above, our PRC Legal Advisers are of the view that (i) such loans were legally binding on the relevant parties; and (ii) the risk of us being penalised by the PBOC under the General Lending Provisions is remote.

Our Directors are of the view that it will not have any material adverse effect on our business operations, nor will such event constitute a material legal obstacle for the Listing.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had complied with the relevant PRC laws and regulations in all material respects.

Views of our Directors and the Sole Sponsor

Having considered the nature and reasons for the historical non-compliance incidents above and the advice from our PRC Legal Advisers, the remedial actions taken and the internal control measures adopted by us, our Directors are of the view and the Sole Sponsor concurs that (i) our Group's internal control measures are adequate and effective to prevent recurrence of similar non-compliance incidents in the future; (ii) our Group has adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Listing Rules; and (iii) the past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control measures

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. For details of the major risks identified by our management, please refer to "Risk factors – Risks relating to our business and industry" in this prospectus. In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. Please refer to note 29 to the Accountants' Report in Appendix I to this prospectus for a discussion of these financial risks.

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

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. Please refer to "Directors and senior management – Board committee – Audit committee" in this prospectus for the qualifications and experience of the committee members as well as a detailed description of the responsibility of our audit committee;
- the appointment of Mr. Lee Ka Wai as company secretary to ensure the compliance of our operation with relevant laws and regulations. Please refer to "Directors and senior management" in this prospectus for his biographical information;
- the appointment of Alliance Capital as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

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In preparation for the Listing, our Group has engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review over our internal control system based on the agreed scope (the “**Internal Control Review**”). During the course of the Internal Control Review, our Internal Control Consultant identified a number of findings in relation to our internal control policies and procedures, including the need to (i) develop formal mechanisms and policies for managing and monitoring our compliance with the Listing Rules requirements with regards to corporate governance, directors’ dealings in securities of listed issuer, code of conduct, inside information and the process of information disclosures; (ii) enhance policies and procedures in relation to financial reporting and disclosures; and (iii) enhance or establish policies and procedures in relation to operational processes, such as property management, fixed assets, tax management, cash and treasury management, information technology general controls and insurance management. We have implemented the internal control enhancement measures recommended by our Internal Control Consultant, including but not limited to (i) establishing policies and procedures for compliance with the Listing Rules requirements; (ii) revising policies in relation to financial reporting and disclosures; and (iii) enhancing or establishing policies and procedures in relation to operational processes. Our Internal Control Consultant performed the follow-up reviews in May and June 2019 to review the status of the enhancement measures taken by our Group in response to the findings from the Internal Control Review (the “**Follow-up Review**”). After considering the implementation of the enhancement measures and the result of the Follow-up Review, our Directors are satisfied that our internal control system is adequate and effective for our current operations.

We have adopted various policies and implementation methods regarding the collection, storage, use, confidentiality, access rights, and monitoring of the personal data collected (the “**Data Management Policies**”), details of which are as follows:

We review the implementation of the Data Management Policies on a quarterly basis, as well as perform random inspections. In addition, we provide training to our property managers and supervisors on a quarterly basis, and each property we manage will organise internal training from time to time.

The management office of each property we manage collects basic personal information of respective owners and residents, such as their name, address, telephone number, emergency contact details as well as the names of their immediate family members (e.g. spouse) that are deemed necessary for our day-to-day provision of property management services. We retain such personal information of property owners and residents when they remain as property owners and residents of the properties managed by us. When such property owners and residents cease to be property owners and/or residents of the properties managed by us and provided that there are no outstanding property management fees due from the relevant property owners and residents and/or other outstanding issues, we will no longer retain their personal information. During the Track Record Period and up to the Latest Practicable Date, we had not, without prior consent of property owners and residents (i) collected and used their personal information; (ii) sold, disclosed or provided illegally such personal information to others; or (iii) without their consent or request, or when expressly refused, sent any commercial information to property owners or residents.

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In addition, when property owners and residents first register their accounts for the mobile application Hongkunhui* 鴻坤薈, their personal information collected by the property management office will be automatically synchronised to their user accounts in Hongkunhui* 鴻坤薈. Save for the aforementioned personal information which will be registered by the property owners and residents, we, through Hongkunhui* 鴻坤薈 will not require property owners and residents to provide any other personal information. When users (i) log on to Hongkunhui* 鴻坤薈; (ii) send the electronic key (in the form of a Quick Response (QR) code) to visitors to enter the premises; or (iii) file any reports through Hongkunhui* 鴻坤薈, Hongkunhui* 鴻坤薈 would be able to access to the user's (a) location; (b) photo album stored at mobile phone; (c) contact list; and (d) WeChat, after receiving the authorisation and consent from the users, and such information would only be used by us within the authorised scope.

Save for the above, our Directors confirm that our Group has not collected other personal information from property owners and residents of the properties we manage.

Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has not (i) experienced any unauthorised leakage of the personal information; (ii) collected or used such information illegally; or (iii) been involved in any disputes or complaints associated with the personal information of the property owners and residents in all material aspects.

Based on the above, our PRC Legal Advisers are of the view that we are in compliance with the applicable PRC laws and regulations governing the collection and use of personal information. For further details of the regulatory regime of information security and privacy protection in the PRC, please refer to "Regulatory overview – Information security and privacy protection" in this prospectus.

Customer data protection measures

During the course of our business operations and through Hongkunhui* 鴻坤薈 mobile application, we collect data including name, sex, date of birth, phone number, address and records of payment, complaints and request for repair and maintenance, etc. Save for such personal information registered by the property owners and residents, Hongkunhui* 鴻坤薈 will not require them to provide any other personal information and will only use our customers' personal data within the authorised scope. To enhance the security of our customers' data as part of our internal control measures, we have implemented the following measures:

- we have installed anti-virus software in our system, and we upgrade such software from time to time. We carry out checks to detect virus intrusion on a regular basis. We also scan all incoming data to ensure that it is free from virus;
- we have adopted procedures such as regular system check, password policy, user authorisation and approval, data backup and data recovery test to safeguard users' data;
- we have designated staff to conduct periodic checks on the system to ensure that collection, storage and use of such data comply with our internal policies and applicable laws and regulations. We have in place restrictions on our employees' physical access to the server and access right to users' data; and
- we have provided training to our employees to ensure that they are aware of our internal policies in relation to data protection.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 59.45% by Ascendor Futur, which is wholly-owned by Will Full. Will Full is owned as to 98.62%, 1.00% and 0.38% by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin respectively. By virtue of the shareholding of Ascendor Futur in our Company, Ascendor Futur, Will Full, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin together form a group of Controlling Shareholders within the meaning of the Listing Rules. Mr. Zhao Bin and Ms. Wu Hong have never been involved in the daily management and/or operation of our Group and neither of them has been appointed as a director or a member of the senior management of our Group. They intend to maintain the status quo and have no intention to be appointed as our Directors in the foreseeable future.

Save as disclosed above, to our Directors' best knowledge, there is no other person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any manner of our Group representing 30% or more of the equity interest in such entity.

Deed of Acting in Concert

In preparation for the Listing, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin executed the Deed of Acting in Concert, whereby, among other things, they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in concert upon Listing.

Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin have confirmed to each other that, from the respective establishment/incorporation dates of each of our Company and its subsidiaries and for the entire duration when they were/are contemporaneously either the legal owners of shares in each of our Company and its subsidiaries, and/or being beneficiaries of the businesses of our Company and any of its subsidiaries: (a) they have been acting in concert in controlling the members of our Group; (b) they have agreed to, and shall continue to, consult each other and reach a consensus among themselves on matters which are the subject of any shareholders' resolution prior to putting forward any such resolution to be passed at any shareholders' meeting of our Company and its subsidiaries; (c) each of them confirms that he/she did not and will not do any act (or omit to do any act) or exercise (or omit to exercise) any of his/her voting power which may be available to him/her from time to time in contravention of his/her respective obligations as parties acting in concert; (d) each of them has agreed with each other that he/she did use and will continue to use his/her best endeavours to ensure that all major matters concerning our Company and its subsidiaries shall be communicated to each other so as to ensure that a consensus may be reached in a timely manner; and (e) there has been no material dispute in respect of our Company and its subsidiaries among themselves.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

DELINEATION OF BUSINESS

Parent Group

Parent Group comprises a group of companies (including Hongkun Group) controlled by our Controlling Shareholders. Hongkun Group is an integral part of Parent Group, which principally focuses on the property development sector in the PRC. Hongkun Jituan, being the holding company of Hongkun Group, is currently indirectly owned as to 99% by Mr. Zhao Weihao through Beijing Herun and ultimately wholly-owned by Mr. Zhao Weihao and Ms. Wu Hong. Mr. Zhao Weihao is also a director of Hongkun Jituan. Hongkun Jituan holds approximately 97.7% of the share capital of Hongkun Weiye which in turn has various subsidiaries across different parts of the PRC. Given the shareholding relationship between Parent Group and Mr. Zhao Weihao, each member of Parent Group is a close associate of Mr. Zhao Weihao.

The table below sets forth the principal businesses of our Group and Parent Group as at the Latest Practicable Date:

Principal business operations

Our Group	Provision of property management services to property developers and property owners, property developer related services to property developers and value-added services to property owners. For details of our business, please refer to “Business” in this prospectus.
Parent Group	Property development and sale of properties, property leasing, financial investment, provision of financial services, private fund management, business investment and development, and investment in and development of tourism and cultural activities (the “ Retained Business ”)

Property development is an integral sector of Parent Group. Since the establishment of Hongkun Group in 2002, it has accumulated more than 50 development projects, with development footprints in Beijing, Shanghai, Tianjin, Hebei province, Jiangsu province, Guangdong province, Anhui province, Hainan province and Hubei province. Hongkun Group’s real estate business covers both residential and commercial properties. According to the CIC report, Hongkun Weiye (a member of Hongkun Group) is a leading property developer in the Beijing-Tianjin-Hebei Region and has been ranked among the Top 100 Property Developers in the PRC* (中國房地產開發企業100強) for seven consecutive years since 2013. As of October 2018, Hongkun Group had a total development area of over 10 million sq.m. and a land reserve of over 5 million sq.m.

Given the difference between the principal business operations of our Group and Parent Group, our Directors are of the view that there is clear delineation between the businesses of our Group and of Parent Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

Other businesses of our Controlling Shareholders

Apart from Parent Group, our Controlling Shareholders are also involved in the businesses of investment and development of art activities, which have been excluded from our Group or Parent Group (“Other Excluded Companies”).

Given the differences between the principal business operations of our Group and Other Excluded Companies, our Directors are of the view that there is a clear delineation between such businesses and our business.

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules, save as disclosed above and in “Directors and senior management” in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management independence

Our Company and Parent Group and/or Other Excluded Companies have boards of directors that function independently of each other. The following table sets forth the details of the directorships and/or roles taken up by members of our Board in Parent Group and/or Other Excluded Companies (if any) immediately upon Listing:

Name	Position in our Company	Position in Parent Group and/or Other Excluded Companies
Mr. Zhao Weihao (趙偉豪)	Executive Director	Various positions including director, department manager and assistant to the president of a number of members of Parent Group and/or Other Excluded Companies. Please refer to “Directors and senior management” in this prospectus for further details
Ms. Wu Guoqing (吳國卿)	Chairman, executive Director and general manager	None
Ms. Li Yin Ping (李燕萍)	Executive Director	None
Mr. Cheung Wai Hung (張偉雄)	Independent non-executive Director	None

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

Name	Position in our Company	Position in Parent Group and/or Other Excluded Companies
Mr. Chan Cheong Tat (陳昌達)	Independent non-executive Director	None
Ms. Chen Weijie (陳維潔)	Independent non-executive Director	None

Our Board comprises three executive Directors and three independent non-executive Directors. Only Mr. Zhao Weihao holds various directorships or positions in Parent Group and Other Excluded Companies.

Other than Mr. Zhao Weihao, none of our other Directors holds any directorship or senior management role in Parent Group. Although Mr. Zhao Weihao is holding various directorships or positions in Parent Group, Other Excluded Companies and our Company, when performing his duty as an executive Director, he has been and will continue to be supported by the separate and independent senior management team of our Group led by Ms. Wu Guoqing.

The independent senior management team of our Group which is led by Ms. Wu Guoqing comprises Mr. Shuai Chuanyong (帥傳勇), Mr. Lee Ka Wai (李嘉威), Ms. Cao Lixin (曹立新), Mr. Kong Linggong (孔令功), Ms. Li Chengyu (李承羽), Mr. Bi Sheng (畢勝), Ms. Li Jun (李峻) and Mr. Wang Xiaorong (王孝榮), most of whom have served our Group for more than three years or possess more than three years' working experience in the field of property management and commercial operational services. They form part of our core management team together and made material decisions in our business operation and project development during the Track Record Period. There is no overlapping personnel between the senior management team of our Group and that of Parent Group and/or Other Excluded Companies.

In the event that the overlapping Director is required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with Parent Group and/or Other Excluded Companies, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the overlapping Director, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from Parent Group and/or Other Excluded Companies for the following reasons:

- (a) none of the business of Parent Group and/or Other Excluded Companies competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, therefore, the dual roles assumed by the overlapping Director in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

- (b) we have three independent non-executive Directors, and certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (c) in the event of conflict of interests, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorship or senior management role in Parent Group and/or Other Excluded Companies have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to “Directors and senior management – Board of Directors” in this prospectus for the relevant experience and qualifications of our Directors.

Mutual and complementary relationship

Our Group has a long-standing and well-established ongoing business relationship with Parent Group since 2004. We have provided various services to Parent Group, including property management services since 2004. Therefore, we consider such close business relationship between our Group and Parent Group to be mutual and complementary. Although we derived the majority of our property management services revenue from our management of properties developed by Hongkun Group, representing 100.0%, 100.0%, approximately 98.4% and approximately 98.5% of our total property management services revenue during the Track Record Period, respectively, according to the CIC Report, such business relationship between our Group and Parent Group is common among PRC property management companies and their parent property developer companies. Parent Group is principally engaged in, among others, property development business, which requires property management services for its business development. Our Group was thus engaged by Parent Group to provide property management services to all the properties under the development of Hongkun Group in the PRC during the Track Record Period and our Group had entered into the preliminary property management agreements for all such properties with Parent Group. Given the long history of business relationship, we and Parent Group have developed a well-established mutual understanding in our business collaborations. Throughout our cooperation with Parent Group, we have built up mutually dependent relationship whereby we are able to provide property management services to Parent Group to meet the specific needs of property owners and residents, and our management is familiar with the standards and requirements of Parent Group.

Operational independence

We have full rights, hold and enjoy the benefit of all relevant licences, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective associates and will continue to do so after Listing.

Although approximately 99.1% of the revenue-bearing GFA of our Group were properties developed by Hongkun Group as at 31 August 2019, the majority of the customers of our Group are property owners other than Parent Group. For the Track Record Period, more than 60.0% of the revenue of our Group was generated from customers other than Parent Group, which are mainly property owners and residents.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

Though most of the projects we managed were developed by Hongkun Group, which is in line with the industry norm, our Group secures initial property management service engagements typically through a tendering process regulated by the applicable PRC laws and regulations, save for where there are less than three participants or the size of the property is too small. For details, please refer to “Business – Property management services – Obtaining property management projects” in this prospectus. During the Track Record Period, we also obtained certain property management service contracts without going through the tendering process.

In addition, in the post-delivery stage of the property development projects where the property units have been wholly or partially sold and the property owners’ committees have been established, the property owners’ committees can be authorised by the property owners’ general meeting to enter into contracts with the property management service providers selected by the property owners’ general meeting. Both of our Group and Parent Group and/or Other Excluded Companies do not have any influence over the engagement (or dismissal) of the property management service provider by the property owners.

Considering our Group’s longstanding business relationship with Parent Group, and our knowledge on and familiarity with its standards and requirements, we expect that we will be able to continuously secure property management engagements from Parent Group going forward. Therefore, we consider that the risk that our relationship with Parent Group to be terminated is low.

As part of our expansion plan, we have been actively seeking property management engagements from other Independent Third Party property developers. As at 31 August 2019, the total revenue-bearing GFA attributable to properties developed by Independent Third Parties was approximately 42,000 sq.m., representing approximately 0.9% of our Group’s total revenue-bearing GFA. We have also started to provide property developer related services to Independent Third Party property developers since 2017.

Licences and corporate functions required for operation

We hold and enjoy the benefit of all relevant licences and permits material to the operation of our business. We do not share any corporate functions with Parent Group.

Access to customers

Our Group has a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Operational facilities

We have been leasing an office premises from Parent Group. As such premises is for us to use as office and it would not be difficult for us to obtain alternative premises from the market, we do not rely on Parent Group in respect of our operations.

Employees

As at the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programmes, advertisements in newspapers, recruiting firms and internal referrals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

Connected transactions with our Controlling Shareholders

“Connected transactions” in this prospectus sets out the connected transactions between our Group and our Controlling Shareholders or their close associates, some of which will continue after the completion of the Global Offering. All such transactions are determined and/or conducted after arm’s-length negotiations and are on normal commercial terms or better. Save for the connected transactions set out in “Connected transactions” in this prospectus, our Directors currently do not expect that there will be any other connected transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after the completion of the Global Offering.

Financial independence

All amounts of non-trade nature due from and/or to Parent Group will be fully repaid, settled, assigned or novated by our Group prior to the Listing Date. As at the Latest Practicable Date, our Group had no outstanding bank loans and did not rely on Parent Group and/or other Excluded Companies for any guarantee or security. In addition, we have our own internal control and accounting systems, accounting and finance department, and independent treasury function for cash receipts and payment.

During the Track Record Period, despite the fact that members of our Group were subsidiaries of Parent Group, their operations were carried out individually at the company level. The financials of such operating companies are consolidated at the group level. Having considered the above factors, our Directors consider that there will not be financial dependence on our Controlling Shareholders and Parent Group and/or Other Excluded Companies after Listing.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he/she fully comprehends its/his/her obligations to act in our Shareholders’ best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND PARENT GROUP

- (c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders;
- (d) we have appointed Alliance Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions which have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

OVERVIEW

We set out below (i) the tenancy agreement entered into between our Group and Hongkun Weiye before the Listing; and (ii) certain transactions, if carried out, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules upon Listing.

Connected persons

We have entered into certain transactions with the following parties which will become our connected persons upon the Listing:

Connected relationship	Name
Director and Controlling Shareholder	Mr. Zhao Weihao
Associates of Mr. Zhao Weihao	Hongkun Jituan, Hongkun Weiye, Beijing Herun

Summary of our transactions

Transaction	Connected person(s)	Applicable Listing Rules	Waiver sought
<i>Tenancy agreement before the Listing</i>			
Tenancy agreement	Hongkun Weiye	N/A	N/A
<i>Fully exempt continuing connected transactions</i>			
Trademark licensing agreements	Hongkun Weiye, Hongkun Jituan	14A.52, 14A.76	N/A
Software copyright licensing agreement	Hongkun Jituan	14A.76	N/A
<i>Non-exempt continuing connected transactions</i>			
Master services agreement	Beijing Herun	14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Announcement and independent Shareholders' approval

CONNECTED TRANSACTIONS

(A) TENANCY AGREEMENT BEFORE THE LISTING

(i) Tenancy agreement

On 28 December 2018, Beijing Hongkun entered into a tenancy agreement with Hongkun Weiye (the “**Tenancy Agreement**”), pursuant to which Beijing Hongkun (as tenant) agreed to lease the property situated at Room 108, No. 45 Xinrong North Street, Xihongmen, Daxing District, Beijing, the PRC from Hongkun Weiye (as landlord) for use as office. Details of the terms of the Tenancy Agreement are as follows:

Principal terms

Date of agreement	:	28 December 2018
Landlord	:	Hongkun Weiye
Tenant	:	Beijing Hongkun
Premises	:	Room 108, No. 45 Xinrong North Street, Xihongmen, Daxing District, Beijing, the PRC
Approximate gross floor area	:	800 sq.m.
Term of lease	:	A fixed term of three years commencing on 1 January 2019 and ending on 31 December 2021
Yearly rent	:	Year ended 31 December 2019: RMB876,000 Year ending 31 December 2020: RMB919,800 Year ending 31 December 2021: RMB963,600
Use	:	Office use

The lease of the premises is necessary for the operations of our Group and will ensure its consistent and stable operations. It was entered into on normal commercial terms or better and the yearly rent under the Tenancy Agreement was determined on an arm’s-length basis with reference to the prevailing market rent for similar premises in the vicinity at the time and the market level.

For the Track Record Period, the historical rental expenses paid by our Group to Hongkun Weiye in respect of the office premises were approximately RMB913,000, RMB913,000, RMB913,000 and RMB584,000, respectively.

CONNECTED TRANSACTIONS

Implications under the Listing Rules

Pursuant to HKFRS 16, the entering into of the Tenancy Agreement as a lessee will require our Group to recognise the premises under the Tenancy Agreement as the right-of-use asset in our consolidated statements of financial position. The present value of the relevant right-of-use asset as at 1 January 2016 was approximately RMB2.0 million. The entering into of the Tenancy Agreement with a fixed term and the transaction contemplated thereunder will be regarded as a one-off acquisition of capital asset for the purpose of the Listing Rules. As the Tenancy Agreement was entered into prior to the Listing and the transaction thereunder is one-off in nature, the payment of rental contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction (in relation to the rental) under the Tenancy Agreement will not be subject to any of the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there is any material change to the terms and conditions of the Tenancy Agreement, we shall comply with Chapter 14A of the Listing Rules in respect of such agreement as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effectuating such changes.

(B) FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(i) Trademark licensing agreements

On 15 May 2019, Beijing Hongkun (for itself and as trustee for the benefit of other members of our Group) entered into a trademark licensing agreement (the “**PRC Trademark Licensing Agreement**”) with Hongkun Weiye. Pursuant to the PRC Trademark Licensing Agreement, Hongkun Weiye agreed to irrevocably and unconditionally grant to our Group a non-transferable licence to use several trademarks registered in the PRC for the period commencing from the effective date of the PRC Trademark Licensing Agreement to the respective expiry dates of the relevant licensed trademarks (ranging from 6 February 2024 to 20 November 2029), on a royalty-free basis. Subject to the renewal of the licensed trademarks, the PRC Trademark Licensing Agreement shall be automatically renewed for a further period till the respective extended expiry dates of the licensed trademarks, unless the PRC Trademark Licensing Agreement is terminated upon three months' prior written notice from our Group. Details of the licensed trademarks are set forth in “B. Further information about our business – 2. Intellectual property of our Group – (a) Trademarks” in Appendix V to this prospectus.

CONNECTED TRANSACTIONS

On 25 February 2020, Beijing Hongkun (for itself and as trustee for the benefit of other members of our Group) entered into a trademark licensing agreement (the “**Hong Kong Trademark Licensing Agreement**”, together with the PRC Trademark Licensing Agreement, the “**Trademark Licensing Agreements**”) with Hongkun Jituan. Pursuant to the Hong Kong Trademark Licensing Agreement, Hongkun Jituan agreed to irrevocably and unconditionally grant to our Group a non-transferable licence to use several trademarks registered in Hong Kong for the period commencing from the effective date of the Hong Kong Trademark Licensing Agreement to the respective expiry dates of the relevant licensed trademarks, on a royalty-free basis. Subject to the renewal of the licensed trademarks, the Hong Kong Trademark Licensing Agreement shall be automatically renewed for a further period till the respective extended expiry dates of the licensed trademarks, unless the Hong Kong Trademark Licensing Agreement is terminated upon three months’ prior written notice from our Group. Details of the licensed trademarks are set forth in “B. Further information about our business – 2. Intellectual property of our Group – (a) Trademarks” in Appendix V to this prospectus.

Our Directors believe that entering into the Trademark Licensing Agreements with a term of more than three years promotes stability and continuity in our operations, and is beneficial to the interests of our Shareholders as a whole. It is normal business practice for trademark licensing agreements to be of a similar duration to that of the Trademark Licensing Agreements. Given that the licensing of various trademarks under the Trademark Licensing Agreements is important to our Group’s business operations, it is in our interest for the Trademark Licensing Agreements to be of a duration longer than three years. Considering (a) a long duration of a trademark licensing agreement of this nature is within normal business practice for agreements of this type to be of such duration; (b) the strategic importance for our Group to use such trademarks; and (c) such term is sufficiently long to provide better protection to our Group considering the nature of our licensed trademarks, our Directors are of the view that it is normal business practice for the Trademark Licensing Agreements to have such a duration. Having considered the above, the Sole Sponsor is not aware of any matter which indicates that the longer term provided for under the Trademark Licensing Agreements is unreasonable. The Sole Sponsor is of the view that it is normal business practice for agreement of this type to be of such duration.

Hongkun Weiye, as the registered proprietor of the respective licensed trademarks, is a subsidiary directly owned by Hongkun Jituan, which is also another registered proprietor of the respective licensed trademarks. Hongkun Jituan is an associate of our Controlling Shareholders and therefore is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Trademark Licensing Agreements will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. Such transactions are determined on normal commercial terms or better.

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transactions under the Trademark Licensing Agreements will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(ii) Software copyright licensing agreement

On 15 May 2019, Beijing Hongkun (for itself and as trustee for the benefit of other members of our Group) entered into a software copyright licensing agreement (the “**Software Copyright Licensing Agreement**”) with Hongkun Jituan. Pursuant to the Software Copyright Licensing Agreement, Hongkun Jituan agreed to grant to our Group a non-transferable licence to use some copyrighted software (including their respective upgraded and updated versions in the future) on a royalty-free basis. The Software Copyright Licensing Agreement has a term of three years to 14 May 2022. The proprietary interest in the data and customers’ information generated from the use of the licensed software would belong to our Group.

Hongkun Jituan as the registered proprietor of the copyright of the licensed software is an associate of our Controlling Shareholders and therefore is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Software Copyright Licensing Agreement will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. Such transactions are determined on normal commercial terms or better.

As the right to use the licensed software is granted to us on a royalty-free basis, the transactions under the Software Copyright Licensing Agreement will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(C) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(i) Master services agreement

On 25 February 2020, we entered into a master services agreement (the “**Master Services Agreement**”) with Beijing Herun, in relation to our continuing provision of certain services to Parent Group (the “**Parent Group Services**”) as set out below.

The major terms of the Master Services Agreement are summarised as follows:

Term	From the Listing Date to 31 December 2022
Scope of services provided by us	Parent Group Services, which include: <ul style="list-style-type: none">Property management services, mainly including repair and maintenance, security, cleaning and gardening, management and leasing of car parking spaces, and other property management related services for both residential and non-residential properties (the “Parent Group Property Management Services”)

CONNECTED TRANSACTIONS

- Property developer related services, mainly including planning and design consultancy and inspection services, sales assistance services, pre-delivery cleaning and preparation services and post-delivery repair services (the “**Parent Group Property Developer Related Services**”)
- Value-added services, mainly including community-related value-added services ranging from home living services to other value-added services that provide convenience to the property owners and residents (the “**Parent Group Value-added Services**”)

Service fee

The service fees are to be determined after arm’s length negotiations taking into account (i) the location of the project or the sales centre; (ii) the anticipated operational costs (including labour costs, material costs and administrative costs); (iii) the market rates that will be charged by Independent Third Parties for providing similar services for similar types of projects in the market; (iv) the historical contracted fees; and (v) in any case not higher than the standard fees designated by the relevant regulatory authorities (i.e. the competent branch authorities of the NDRC and the MOHURD in cities and counties where the managed properties are located at) or less favourable than the service fees chargeable by us if such services are to be provided to an Independent Third Party.

Relevant entities will enter into separate service agreements which will set out the specific terms and conditions according to the principles provided in the Master Services Agreement.

The total service fees paid by Parent Group for the Parent Group Services provided by our Group during the Track Record Period and the estimated maximum annual fee payable by Parent Group in relation to the Parent Group Services to be provided by our Group under the Master Services Agreement for each of the three years ending 31 December 2022 were as or will not exceed the below:

CONNECTED TRANSACTIONS

Transaction	Historical amount for the corresponding year/ period during the Track Record Period (approximate)	Annual cap for each of the three years ending 31 December 2022 (approximate)
Parent Group Property Management Services	Year ended 31 December 2016: RMB7.1 million Year ended 31 December 2017: RMB12.7 million Year ended 31 December 2018: RMB28.5 million Eight months ended 31 August 2019: RMB18.5 million	Year ending 31 December 2020: RMB30.0 million Year ending 31 December 2021: RMB30.0 million Year ending 31 December 2022: RMB30.0 million
Parent Group Property Developer Related Services	Year ended 31 December 2016: RMB32.9 million Year ended 31 December 2017: RMB60.7 million Year ended 31 December 2018: RMB60.6 million Eight months ended 31 August 2019: RMB40.7 million	Year ending 31 December 2020: RMB62.9 million Year ending 31 December 2021: RMB62.9 million Year ending 31 December 2022: RMB62.9 million
Parent Group Value-added Services	Year ended 31 December 2016: RMB0.5 million Year ended 31 December 2017: RMB1.3 million Year ended 31 December 2018: RMB2.1 million Eight months ended 31 August 2019: RMB0.1 million	Year ending 31 December 2020: RMB2.1 million Year ending 31 December 2021: RMB2.1 million Year ending 31 December 2022: RMB2.1 million
Total	Year ended 31 December 2016: RMB40.5 million Year ended 31 December 2017: RMB74.7 million Year ended 31 December 2018: RMB91.2 million Eight months ended 31 August 2019: RMB59.3 million	Year ending 31 December 2020: RMB95.0 million Year ending 31 December 2021: RMB95.0 million Year ending 31 December 2022: RMB95.0 million

CONNECTED TRANSACTIONS

Our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

- the historical service fees during the Track Record Period;
- the estimated revenue to be recognised in relation to the services to be provided by our Group pursuant to existing contracts and the expected time and volume of delivery for our existing property management projects; and
- the expected volume of the sale of Parent Group, size and number of the property projects to be managed by our Group based on the total GFA of the properties to be delivered by Parent Group, the properties under development held by Parent Group as at 31 August 2019 and the estimated time of pre-sales and delivery.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the Master Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(D) APPLICATION FOR WAIVER

As the transactions set out in “(C) Non-exempt continuing connected transactions” in this section above are and will continue to be entered into in the ordinary and usual course of our business on a continuing or recurring basis, our Directors (including our independent non-executive Directors) are of the view that strict compliance with the reporting, annual review, announcement and independent Shareholders' approval requirements (as the case may be) would impose additional administrative costs and would at times be impracticable.

In this regard, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and/or independent Shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules in respect of the continuing connected transactions set out in “(C) Non-exempt continuing connected transactions” in this section above, subject to the aggregate value of each of these transactions for each financial year not exceeding the relevant amount of annual caps stated above.

We will re-comply with the announcement and/or independent Shareholders' approval requirements (as the case may be) when the relevant amount of annual caps stated above is likely to be exceeded or a material change of the terms and conditions of the Master Services Agreement is proposed.

In the event of any future amendments to the Listing Rules imposing more stringent requirements on continuing connected transactions than those applicable as at the Latest Practicable Date, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONNECTED TRANSACTIONS

(E) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that (i) the non-exempt continuing connected transactions set out above 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 interest of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions set out above are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

(F) SOLE SPONSOR'S VIEW

Based on its review of the Master Services Agreement and the relevant information provided by our Company as well as its discussion with the management of our Company, the Sole Sponsor is of the view (i) that the non-exempt continuing connected transactions set out above 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 Group and our Shareholders as a whole; and (ii) that the proposed annual caps for the non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Directors.

Name	Age	Present position	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) or senior management
Ms. Wu Guoqing (吳國卿)	45	Executive Director and Chairman	26 March 2019	7 January 2014	Responsible for business operations, day-to-day management and daily business decisions of our Group	N/A
Mr. Zhao Weihao (趙偉豪)	26	Executive Director	26 March 2019	6 December 2017	Responsible for overall development and major business decisions of our Group	N/A
Ms. Li Yin Ping (李燕萍)	43	Executive Director	26 March 2019	18 February 2019	Responsible for overseeing our Group's property management services and business development and providing strategic advice	N/A
Mr. Cheung Wai Hung (張偉雄)	38	Independent non-executive Director	17 February 2020	17 February 2020	Responsible for providing independent judgment and advice to our Board	N/A
Mr. Chan Cheong Tat (陳昌達)	70	Independent non-executive Director	17 February 2020	17 February 2020	Responsible for providing independent judgment and advice to our Board	N/A
Ms. Chen Weijie (陳維潔)	39	Independent non-executive Director	17 February 2020	17 February 2020	Responsible for providing independent judgment and advice to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Wu Guoqing (吳國卿)

Ms. Wu Guoqing (吳國卿), aged 45, is our executive Director and the Chairman of our Board. She joined our Group on 7 January 2014 as a general manager of Beijing Hongkun, where she was responsible for the overall management, strategic planning and day-to-day business operations. She was appointed as the chairman of the board of directors of Beijing Hongkun on 18 February 2019. Ms. Wu Guoqing was appointed as our Director on 26 March 2019. She was redesignated as our executive Director on 24 July 2019. Apart from being the chairman of the board of directors of Beijing Hongkun, Ms. Wu Guoqing is also its legal representative and general manager. She is also the general manager of Beijing Hongkun Property Management. Ms. Wu Guoqing is responsible for the overall management and business operations of our Group, including formulating strategies and operational plans, supervising the working progress of various departments, and making daily business decisions for our Group.

Ms. Wu Guoqing has more than 17 years of experience in the property management services industry in the PRC. Prior to joining our Group, she worked at Beijing Vanke Property Service Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from March 2002 to January 2014 with her last position as director (總監), where her major job duties included strategic execution, overseeing property management projects and management of human resources. Before that, Ms. Wu Guoqing had had work experience in the hotel management industry.

Ms. Wu Guoqing became the vice president of Hebei Property Management Institute (河北省物業管理行業協會) in January 2018. She was awarded “China’s Property Management Innovative Person in 2017* (2017中國物業管理創新力人物)” in 2017 by China Property Management Magazine* (《中國物業管理》雜誌社), “China’s Outstanding Property Manager in 2018* (2018中國優秀物業經理人)” in 2018 by EH Consulting (億翰智庫), and “China’s Innovative and Entrepreneurial Leader in 2019* (2019中國創新創業領袖人物)” in 2019 by Xiou Net* (希鷗網).

Ms. Wu Guoqing graduated from Hainan University (海南大學) in Hainan Province, the PRC in December 1995 with her profession in international trade. She was qualified as a certified property manager (物業管理師) by the MOHURD in August 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu Guoqing was a director of the following company which was established in the PRC and was solvent prior to its dissolution and details of which are as follows:

Name of company	Date of dissolution	Means of dissolution	Principal business
Beijing Hongkun Love Housekeeping	23 July 2018	Deregistration by way of members' resolution	Provision of housekeeping services

Being the general manager of Beijing Hongkun and involved in the day-to-day management of our business, Ms. Wu Guoqing may be viewed as our de-facto chief executive officer though she does not carry such title. Our Group's corporate governance practices are based on principles and code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules. Under CG Code provision A.2.1, the roles of chairman of the board and chief executive should be separate and not be performed by the same individual. Ms. Wu Guoqing is the chairman of the Board as well as de-facto chief executive officer of our Group. Ms. Wu Guoqing has been responsible for the overall management, strategic planning and day-to-day business operations of our Group. Our Board believes that at the current stage of development of our Group, vesting the roles of both chairman and chief executive officer in the same person provides our Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies. As such, our Directors consider that the deviation from CG Code provision A.2.1 is appropriate and reasonable. However, it is the long term objective of our Company to have these two roles performed by separate individuals when suitable candidates are identified.

Mr. Zhao Weihao (趙偉豪)

Mr. Zhao Weihao (趙偉豪) (formerly known as Zhao Liang (趙亮)), aged 26, is our executive Director. He joined our Group as a director of Beijing Hongkun on 6 December 2017, where he is responsible for the overall management and day-to-day business operations. He was appointed as our Director on 26 March 2019 and redesignated as our executive Director on 24 July 2019. Mr. Zhao Weihao is responsible for the overall development and major business decisions making of our Group.

Mr. Zhao Weihao has relevant experience in business administration and the property industry in the PRC. Among others, he held/is holding the following positions in the PRC:

Company name	Period of time	Principal business of the company	Position
Hongkun Weiye	July 2016 to November 2017	Real estate development	Procurement department manager

DIRECTORS AND SENIOR MANAGEMENT

Company name	Period of time	Principal business of the company	Position
Wuxi Yongqing Real Estate Company Limited* (無錫永慶房地產有限公司)	May 2017 to present	Real estate development and provision of real estate brokerage services	Director
Hefei Blu-ray Hongjing Real Estate Company Limited* (合肥藍光宏景置業有限公司)	June 2017 to present	Real estate development and property leasing	Director
Hongkun Jituan	November 2017 to present	Investment holding of the equity interests in Hongkun Weiye and its subsidiaries	Director
Hongkun Weiye	April 2018 to present	Real estate development	Assistant to president
Shenzhen Municipal Coast Xingtai Real Estate Company Limited* (深圳市海岸興泰置業有限公司)	August 2018 to present	Real estate development, provision of real estate brokerage services, and property leasing	Director
Hongkun Weiye	March 2019 to present	Real estate development	Strategic investment department manager

Mr. Zhao Weihao graduated from Boston University in Massachusetts, the United States in September 2016 with a bachelor's degree in economics and computer science.

Ms. Li Yin Ping (李燕萍)

Ms. Li Yin Ping (李燕萍) (also known as Florence Li), aged 43, is our executive Director. She was appointed as our Director on 26 March 2019 and was redesignated as our executive Director on 24 July 2019. She was appointed as a director of Beijing Hongkun on 18 February 2019.

DIRECTORS AND SENIOR MANAGEMENT

Following her appointment as a director of Beijing Hongkun, she has been actively participating in overseeing our property management services and business development, including reviewing the workflow, procedures and delivery of our property management services, and she provides strategic advice. As an executive Director, Ms. Li Yin Ping also participates in the formulation of business strategy and major decisions of our Group as well as in the deliberation and approval of our Group's administrative expenses, monthly accounts and budgets, and in the recruitment of senior management. Ms. Li Yin Ping is one of the authorised signatories for operation of our Company's bank account in Hong Kong.

As at the Latest Practicable Date, Ms. Li Yin Ping also served as a director in various private companies in Hong Kong and overseas which engage in different nature of business as listed below. With her experience in finance and capital investment, particularly investment in listed companies, Ms. Li Yin Ping is also involved in strategic planning of our Group's fund raising and capital investment activities, and provides guidance and supervision on financial management and corporate governance of our Group as well as in overall strategic planning and business development of new business opportunities. In particular, for the implementation of our Group's strategic plan to expand our market reach in the PRC to cover at least five additional cities by 2021 through acquisitions of suitable local property management companies, Ms. Li Yin Ping will also be involved in assessing such opportunities once they arise and in ensuring potential acquisition targets fit into our Group's acquisition criteria as determined by the Board.

Ms. Li Yin Ping has experiences in finance and capital investments. She also had previous work experiences in the financial advisory and insurance industries. Among others, she is holding the following positions in Hong Kong and overseas:

Company name	Place of incorporation	Period of time	Principal business of the company	Position
Top Sing International Company Limited	Hong Kong	October 2013 to present	Trading	Director
Mega Marketing & Media Company Limited	Hong Kong	May 2015 to present	Event marketing and public relations services	Director

DIRECTORS AND SENIOR MANAGEMENT

Company name	Place of incorporation	Period of time	Principal business of the company	Position
Vibes Management Company Limited	Hong Kong	May 2016 to present	Investment holding in listed company in Hong Kong	Director
Pioneer Unicorn Limited	BVI	June 2016 to present	Investment holding in listed company in Hong Kong	Director
Winz Strategy Company Limited	Hong Kong	February 2017 to present	Provision of financial investment consultancy services	Director
Winz Strategy	BVI	April 2017 to present	Investment holding in listed company in Hong Kong	Director

Ms. Li Yin Ping is currently a member of the Federation of HK Guangxi Community Organisations, as well as an executive committee member (常務總理) of 2019 of The Lok Sin Tong Benevolent Society, Kowloon.

Ms. Li Yin Ping obtained a master's degree in business administration (MBA) from European University Business School in January 2017 through distance learning.

Ms. Li Yin Ping was a director of the following company which was incorporated in Hong Kong and was solvent prior to its dissolution, details of which are set out as follows:

Name of company	Principal business	Date of dissolution	Means of dissolution	Reason for dissolution
Care Union Company Limited (群德醫團有限公司)	Running of medical projects	13 September 2019	Deregistration ^{Note 1}	Cessation of business

Note:

1. Dissolved pursuant to section 750 of the Companies Ordinance.

DIRECTORS AND SENIOR MANAGEMENT

Notwithstanding Mr. Zhao Weihao and Ms. Li Yin Ping each holds multiple management roles in Parent Group and other companies, as advised and confirmed by Mr. Zhao Weihao and Ms. Li Yin Ping, respectively, each of them has sufficient time to act as our executive Director based on the following:

- engagement as director of members of Parent Group and other companies does not require their full-time involvement and participation in the daily operations and they are primarily responsible for overseeing the management and strategic development of these companies. The daily management and operations of these companies are carried out by the senior management team with members that are able to devote substantially all of their time to the respective businesses;
- Mr. Zhao Weihao's engagement as the manager of the strategic investment department and an assistant to the president of Hongkun Weiye does not always require his full-time involvement, and he is supported by other managers and senior staff working on full-time basis for the daily business;
- with their respective backgrounds and experiences, each of them is fully aware of the responsibilities and expected time involvements for an executive director. None of them found difficulties in devoting their time to multiple companies and they are confident that with their experience in taking on multiple corporate roles, they will be able to discharge their respective duties to our Company; and
- Mr. Zhao Weihao attended and each of them will continue to attend meetings from time to time to review and discuss with senior management in relation to our Group's businesses.

Based on the foregoing, our Company does not have reasons to believe that the various positions currently held by Mr. Zhao Weihao and Ms. Li Yin Ping, respectively, will result in either Mr. Zhao Weihao or Ms. Li Yin Ping not having sufficient time to act as an executive Director or not properly discharging his/her duties as an executive Director.

Nevertheless, pursuant to the CG Code, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to our Company, and whether each Director is spending sufficient time in performing his responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, and if required under the CG Code, explain why such individual who is considered to be holding a number of management roles would still be able to devote sufficient time to our Board.

Having considered (i) our Company's explanation above, taking into account (ii) the experience of Mr. Zhao Weihao and Ms. Li Yin Ping as directors of other companies and based on (iii) the review by the Sole Sponsor of various board meeting records; and (iv) the due diligence interview conducted with each of Mr. Zhao Weihao and Ms. Li Yin Ping, the Sole Sponsor agrees with our Company that the multiple positions held by each of them will not result in them not having sufficient time to act as our executive Directors or not properly discharging their duties as our executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Cheung Wai Hung (張偉雄)

Mr. Cheung Wai Hung (張偉雄), aged 38, was appointed as an independent non-executive Director on 17 February 2020. He is responsible for providing independent judgment and advice to our Board. He is the chairman of Nomination Committee, and a member of Audit Committee and Remuneration Committee.

Mr. Cheung Wai Hung has over 10 years of experience in auditing and accounting industry. Prior to joining our Group, Mr. Cheung Wai Hung worked at Aoba CPA Limited from July 2004 to April 2014 with his last position as audit manager, where he assisted in the audit of various medium-sized and listed companies. Mr. Cheung has been appointed, since April 2014, as the chief financial officer serving Wai Chi Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1305), where he is responsible for the financial management. He has become a member of the risk management committee of Wai Chi Holdings Company Limited since August 2015 and been appointed as the company secretary serving Wai Chi Holdings Company Limited since November 2015. Since August 2018, Mr. Cheung Wai Hung has been appointed as the independent non-executive director and a member of the audit committee of Grand T G Gold Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8299).

Mr. Cheung Wai Hung graduated from The Hong Kong Polytechnic University in Hong Kong in November 2003 with a bachelor's degree in accountancy. He is currently a member of The Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a certified tax adviser with a membership in The Taxation Institute of Hong Kong.

Mr. Chan Cheong Tat (陳昌達)

Mr. Chan Cheong Tat (陳昌達), aged 70, was appointed as an independent non-executive Director on 17 February 2020. He is responsible for providing independent judgment and advice to our Board. He is the chairman of Audit Committee, and a member of Nomination Committee and Remuneration Committee.

Mr. Chan Cheong Tat is the founding shareholder and sole director of C T Tax Consultants Limited since August 2006. Prior to that Mr. Chan Cheong Tat had worked in the Inland Revenue Department of Hong Kong for over 32 years. He joined the HKSAR Government as assistant assessor in November 1972 and was promoted to assistant commissioner of the Inland Revenue Department of Hong Kong in September 2003. He retired from the HKSAR Government in April 2005.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Cheong Tat obtained a master degree in financial management from Central Queensland University of Australia in October 1995 through distance learning. He was admitted as an associate of The Institute of Chartered Secretaries and Administrators (U.K.) in March 1974, a fellow of the Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) in November 1983, a fellow of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in March 1986, a fellow of the Australian Society of Certified Practising Accountants (now known as CPA Australia) in June 1990, and an associate of The Hong Kong Institute of Company Secretaries (now known as The Hong Kong Institute of Chartered Secretaries) in August 1994.

Mr. Chan Cheong Tat has been or was appointed as an independent non-executive director of the following listed companies in Hong Kong:

Company name	Place of listing and stock code	Period of time
Guangdong Tannery Limited	Main Board of the Stock Exchange (stock code: 1058)	March 2006 to present
Medicskin Holdings Limited	GEM of the Stock Exchange (stock code: 8307)	December 2014 to present
Hyfusin Group Holdings Limited	GEM of the Stock Exchange (stock code: 8512)	July 2018 to present
Dominate Group Holdings Company Limited	GEM of the Stock Exchange (stock code: 8537)	September 2018 to present
Man Sang International Limited	Main Board of the Stock Exchange (stock code: 938)	January 2015 to December 2016
Wasion Group Holdings Limited	Main Board of the Stock Exchange (stock code: 3393)	May 2014 to May 2015
Nobel Jewelry Holdings Limited (now known as Central Development Holdings Limited)	Main Board of the Stock Exchange (stock code: 475)	October 2006 to December 2011

Ms. Chen Weijie (陳維洁)

Ms. Chen Weijie (陳維洁), aged 39, was appointed as an independent non-executive Director on 17 February 2020. She is responsible for providing independent judgment and advice to our Board. She is the chairman of Remuneration Committee, and a member of Audit Committee and Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chen Weijie has over 10 years of experience in executive management, investment and corporate finance. Since March 2018, Ms. Chen Weijie has been appointed as the executive director and responsible officer in Type 6 (advising on corporate finance) regulated activities of ZhongHua Finance Capital Company Limited, a company principally engaging in provision of financial services, where she is responsible for the overall business development and provision of financial advice to listed companies. Before joining Zhonghua Finance Capital Company Limited, from November 2016 to February 2018, she was appointed as the chief operating officer of Legend Strategy International Holdings Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1355), where she was in charge of the operation of the listed group in hotel management in the PRC and the day-to-day operations of the listed group (including compliance and finance related matters). Ms. Chen Weijie had also worked as senior management for several financial and securities companies including Vision Finance (Securities) Limited from May 2013 to October 2016, China Private Equity Investment Holdings Limited between December 2010 and April 2013, China Fortune Group Limited (currently known as China Fortune Financial Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 290) from August 2009 to November 2010, and China Aircraft Leasing Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1848) from August 2008 to August 2009.

Ms. Chen Weijie also has some relevant experience in the legal sector. Prior to joining our Group, she worked as an intern at the Intermediate People's Court of Guangzhou, the PRC, from December 2003 to July 2004, and as a paralegal in the corporate finance department at Norton Rose Hong Kong (currently known as Norton Rose Fulbright Hong Kong) from July 2006 to June 2008. She was qualified as a lawyer in the PRC in 2009.

Ms. Chen Weijie graduated from Guangdong University of Finance & Economics (previously known as Guangdong Business School* (廣東商學院)) in Guangdong, the PRC in June 2004 with a bachelor's degree in law. She also obtained a master of laws in international business law from City University of Hong Kong in Hong Kong in November 2005. She has been holding a Type 6 licence (advising on corporate finance) granted by the Hong Kong Securities and Investment Institute since July 2013.

Save as disclosed above, in "Substantial Shareholders" in this prospectus and in "C. Further information about our Directors and substantial Shareholders" in Appendix V to this prospectus, as at the Latest Practicable Date, each of our Directors confirms with respect to him or her that: (i) he or she has not held any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he or she does not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; (iii) he or she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) did not have any relationship with any Director, senior management, our substantial Shareholders or Controlling Shareholders; (v) there is no other information that should be disclosed for him or her pursuant to Rule 13.51(2) of the Listing Rules; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management consists of Ms. Wu Guoqing (吳國卿), Mr. Shuai Chuanyong (帥傳勇), Mr. Lee Ka Wai (李嘉威), Ms. Cao Lixin (曹立新), Mr. Kong Linggong (孔令功), Ms. Li Chengyu (李承羽), Mr. Bi Sheng (畢勝), Ms. Li Jun (李峻) and Mr. Wang Xiaorong (王孝榮). Our senior management is responsible for the day-to-day management and operations of our Group. The biography of each of our senior management members is set out below. Ms. Wu Guoqing is also our executive Director. For details of her biography, please refer to “Board of Directors – Executive Directors” in this section above.

SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Shuai Chuanyong (帥傳勇)	51	Deputy general manager	17 October 2017	17 October 2017	Responsible for project management of our managed properties in Tianjin, Hebei Province and Hainan Province, the PRC	N/A
Mr. Lee Ka Wai (李嘉威)	44	Chief financial officer and company secretary	1 May 2019 and 24 July 2019	1 May 2019	Responsible for overall finance and accounting matters of our Group and company secretarial matters of our Group	N/A
Ms. Cao lixin (曹立新)	34	Assistant general manager	7 January 2018	4 September 2015	Responsible for project management of our managed properties in Beijing and Shanghai, the PRC, as well as customer services oversight	N/A
Mr. Kong Linggong (孔令功)	34	Vice marketing director and operations director	13 November 2017 and 25 February 2019	13 February 2014	Responsible for overseeing business development, formulating marketing strategies, and merger and acquisition	N/A
Ms. Li Chengyu (李承羽)	38	Deputy manager of business development department	13 November 2017	19 March 2014	Responsible for management of multiple business operations	N/A
Mr. Bi Sheng (畢勝)	48	Senior manager of engineering management department	13 February 2018	27 March 2015	Responsible for engineering management and quality control of repairs and maintenance	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ms. Li Jun (李峻)	37	Accounting operations manager of financial management department	15 April 2019	12 March 2007	Responsible for overseeing the financial accounting and operation costs analysis	N/A
Mr. Wang Xiaorong (王孝榮)	38	Director of properties in Tianjin	12 June 2018	1 August 2016	Responsible for project management of our managed properties in Tianjin and Xianghe, Hebei Province, the PRC	N/A

Mr. Shuai Chuanyong (帥傳勇)

Mr. Shuai Chuanyong (帥傳勇), aged 51, was appointed as deputy general manager of Beijing Hongkun on 17 October 2017. He is responsible for the project management of our managed properties in Tianjin, Hebei Province and Hainan Province in the PRC, as well as business development, quality control oversight and human resources management of Beijing Hongkun. He is also the executive director of Tianjin Hongsheng and Xianghe Hongkun.

Mr. Shuai Chuanyong has over seven years of experience in the property management industry in the PRC. Prior to joining our Group, he worked at Beijing Hengfu Property Service Company Limited Tianjin Branch* (北京恒富物業服務有限公司天津分公司), a company principally engaging in provision of property management and real estate brokerage services, from 1 September 2011 to 15 October 2017 with his last position as vice general manager, where he was responsible for general management. Before that, Mr. Shuai Chuanyong had had work experiences in the property management, manufacturing and decoration industries.

Mr. Shuai Chuanyong graduated from JiangXi Institute of Economic Administrators* (江西經濟管理幹部學院) in Jiangxi Province, the PRC in July 1993 with his profession in business management.

Mr. Shuai Chuanyong has not held any directorship in any other 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Ka Wai (李嘉威)

Mr. Lee Ka Wai (李嘉威), aged 44, was appointed as the chief financial officer of our Company on 1 May 2019. He is responsible for the overall finance and accounting matters of our Group.

Mr. Lee Ka Wai has over 10 years of experience in auditing, accounting, financial management, and corporate compliance. Prior to joining our Group, Mr. Lee Ka Wai worked as the finance manager of Bio-Treat Technology Limited (currently known as China Everbright Water Limited), the shares of which are listed on the Singapore Exchange (stock code: U9E), from 22 February 2006 to 31 December 2010, where he was in charge of the finance operations of the group. He was then employed as a financial consultant of Timex Corporate Consulting Limited, a company principally engaging in provision of corporate consultancy services, from January 2011 to September 2015, where he was responsible for advising on internal control and corporate control. Mr. Lee Ka Wai worked for Silvermine Beach Resort Limited, a company principally engaging in hotel management, as a finance manager from October 2015 to February 2017, where he was responsible for supervising the daily accounting, internal control and compliance of the company. He served as the company secretary of Hyfusin Group Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8512) from September 2017 to April 2019, where he was responsible for advising the board and senior management accordingly on matters relating to governance, administration and management.

Mr. Lee Ka Wai graduated from the University of Wollongong (Australia) in May 1999 with a bachelor's degree of commerce in accountancy. He was admitted as a member and a certified practising accountant of CPA Australia in July 1999 and June 2005, respectively, and a member and certified public accountant of The Hong Kong Institute of Certified Public Accountants in July 2017.

Mr. Lee Ka Wai has not held any directorship in any other 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.

Ms. Cao Lixin (曹立新)

Ms. Cao Lixin (曹立新), aged 34, was appointed as assistant general manager of Beijing Hongkun on 7 January 2018. She joined our Group on 4 September 2015 as the director (總監) of Beijing Hongkun's management projects in Beijing. She is responsible for project management of our managed properties in Beijing and Shanghai, the PRC, and customer services oversight.

Prior to joining our Group, she worked at Beijing Vanke Property Service Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from March 2004 to September 2015 with her last position as department manager, where she was responsible for project planning and management.

Ms. Cao Lixin graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC in January 2005 with her profession in horticulture through distance learning. She also graduated from China Agricultural University (中國農業大學) in Beijing, the PRC in July 2007 with her profession in landscape architecture through an online course.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Cao Lixin has not held any directorship in any other 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.

Mr. Kong Linggong (孔令功)

Mr. Kong Linggong (孔令功), aged 34, was appointed as vice marketing director (總監) of Beijing Hongkun on 13 November 2017. He joined our Group on 13 February 2014 as an assistant manager of the quality control department of Beijing Hongkun. He was also appointed as the operations director (總監) of Beijing Hongkun on 25 February 2019. He is responsible for overseeing business development, formulating marketing strategies, and merger and acquisition of our Group.

Prior to joining our Group, he worked at Beijing Vanke Property Service Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from September 2008 to February 2014 with his last position as project business assistant, where he was responsible for management of quality control and customer services.

Mr. Kong Linggong graduated from Beijing Normal University (北京師範大學) in Beijing, the PRC in January 2007 with his profession in applied electronic technology through an evening course. He also graduated from Beijing University of Civil Engineering and Architecture (北京建築大學) in Beijing, the PRC in January 2015 with his profession in building environment and equipment engineering.

Mr. Kong Linggong was a director of the following company which was incorporated in the PRC and was solvent prior to its dissolution and details of which are as follows:

Name of company	Date of dissolution	Means of dissolution	Principal business
Beijing Hongkun Love Housekeeping	23 July 2018	Deregistration by way of members' resolution	Provision of housekeeping services

Mr. Kong Linggong has not held any directorship in any other 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Chengyu (李承羽)

Ms. Li Chengyu (李承羽), aged 38, was appointed as deputy manager of the business development department of Beijing Hongkun on 13 November 2017. She joined our Group on 19 March 2014 as a professional manager of the financial management department of Beijing Hongkun. She was later promoted to manager of the financial management department of Beijing Hongkun on 12 January 2015, where she was responsible for overseeing the operations of the financial management department in Beijing. She is responsible for management of multiple business operations of our Group.

Prior to joining our Group, Ms. Li Chengyu worked at Beijing Vanke Property Service Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from June 2002 to March 2014 with her last position as a cashier manager, where she was responsible for financial management, budgeting and internal control.

Ms. Li Chengyu graduated from Tianjin University (天津大學) in Tianjin, the PRC in December 2008 with her profession in business management through Self-Taught Higher Education Examinations* (高等教育自學考試). She also finished an online profession programme in financial management at Sichuan Agricultural University (四川農業大學) in Sichuan, the PRC in February 2019. She was qualified as an international finance manager by the China Association of Chief Financial Officers of the PRC and the International Financial Management Association in April 2016.

Ms. Li Chengyu was a director of the following company which was incorporated in the PRC and was solvent prior to its dissolution and details of which are as follows:

Name of company	Date of dissolution	Means of dissolution	Principal business
Beijing Hongkun Love Housekeeping	23 July 2018	Deregistration by way of members' resolution	Provision of housekeeping services

Ms. Li Chengyu has not held any directorship in any other 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.

Mr. Bi Sheng (畢勝)

Mr. Bi Sheng (畢勝), aged 48, was appointed as the senior manager of the engineering management department of Beijing Hongkun on 13 February 2018. He joined our Group as the manager of the engineering management department of Beijing Hongkun on 27 March 2015. He is responsible for engineering management and quality control of repairs and maintenance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, he worked at Beijing Vanke Property Management Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from March 2003 to August 2012 with his last position as assistant manager where he was responsible for management of the engineering, environment and safety departments. He was then employed as deputy general manager of the management platform in First Taiping Rongke Property Management (Beijing) Company Limited Chaoyang Branch* (第一太平融科物業管理(北京)有限公司朝陽分公司), a company principally engaging in provision of property management services, from August 2012 to March 2015, where he was responsible for management of engineering and repairs.

Mr. Bi Sheng graduated from China University of Geosciences (中國地質大學) in Beijing, the PRC in January 2013 with his profession in civil engineering through an online course. He was qualified as a certified property manager (物業管理師) by the Beijing Municipal Human Resources and Social Security Bureau* (北京市人力資源和社會保障局) of the PRC in September 2014. He finished the property management examination approved by the Beijing Municipal Commission of Housing and Urban-Rural Development* (北京市住房和城鄉建設委員會) in June 2011. He also finished a professional vocation training course in property inspection and facilities and equipment management at China Property Management Institute* (中國物業管理協會) in August 2018.

Mr. Bi Sheng has not held any directorship in any other 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.

Ms. Li Jun (李峻)

Ms. Li Jun (李峻), aged 37, was appointed as accounting operations manager of the financial management department of Beijing Hongkun on 15 April 2019. She joined our Group as cashier of the financial management department on 12 March 2007. She is responsible for overseeing the financial accounting and operation costs analysis of our Group.

Prior to joining our Group, Ms. Li had had work experiences in the retails and commerce related industries.

Ms. Li Jun graduated from Beijing Agricultural Vocational College* (北京農業職業學院) in Beijing, the PRC in July 2003 with her profession in accounting. She graduated from Beijing Institute of Petrochemical Technology (北京石油化工學院) in Beijing, the PRC in July 2010 with her profession in accounting.

Ms. Li Jun has not held any directorship in any other 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.

Mr. Wang Xiaorong (王孝榮)

Mr. Wang Xiaorong (王孝榮), aged 38, was appointed as director (總監) of Beijing Hongkun's properties in Tianjin on 12 June 2018. He joined our Group as a manager responsible for project management on 1 August 2016. He is responsible for the general project management of our managed properties in Tianjin and Xianghe, Hebei Province, the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Wang Xiaorong worked at Beijing Vanke Property Management Company Limited* (北京萬科物業服務有限公司), a company principally engaging in providing property management, property agency, property pre-delivery and sales assistance, consulting and real estate brokerage services, from March 2005 to August 2016 with his last position as business support system manager, where he was responsible for maintenance of the business support system and property environment management.

Mr. Wang Xiaorong graduated from China Agricultural University (中國農業大學) in Beijing, the PRC in January 2016 with his profession in horticulture through an online course. He passed the property management examination approved by Beijing Municipal Commission of Housing and Urban-Rural Development* (北京市住房和城鄉建設委員會) of the PRC in April 2015.

Mr. Wang Xiaorong has not held any directorship in any other 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.

None of the members of our senior management is related to other Directors or other members of senior management.

COMPANY SECRETARY

For details of the biography of Mr. Lee Ka Wai, please refer to “Senior management – Mr. Lee Ka Wai (李嘉威)” in this section.

BOARD COMMITTEES

We have established the following committees in our Board: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

We have established an Audit Committee with written terms of reference pursuant to a Board resolution passed on 17 February 2020 in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The duties of the Audit Committee include reviewing, in draft form, our annual report and accounts, half-year report and providing advice and comments to our Board. In this regard, members of the Audit Committee will liaise with our Board, our senior management, our reporting accountants and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Company’s financial reporting process and internal control system.

The Audit Committee consists of three independent non-executive Directors, being Mr. Cheung Wai Hung, Mr. Chan Cheong Tat and Ms. Chen Weijie. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a Remuneration Committee with written terms of reference pursuant to a Board resolution passed on 17 February 2020 in compliance with Rule 3.25 of the Listing Rules and paragraph B.2 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of independent non-executive Directors.

The Remuneration Committee comprises three independent non-executive Directors, being Mr. Cheung Wai Hung, Mr. Chan Cheong Tat and Ms. Chen Weijie. Ms. Chen Weijie is the chairman of the Remuneration Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference pursuant to a Board resolution passed on 17 February 2020 in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors in accordance with our Company's nomination policy.

The Nomination Committee comprises three independent non-executive Directors, being Mr. Cheung Wai Hung, Mr. Chan Cheong Tat and Ms. Chen Weijie. Mr. Cheung Wai Hung is the chairman of the Nomination Committee.

BOARD DIVERSITY

We have adopted the board diversity policy (“**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategies. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity, and length of service. Our Nomination Committee is delegated by our Board to be responsible for the compliance with relevant code governing board diversity under the CG Code. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Our Board comprises six members, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Board has a wide range of age, ranging from 26 to 70 years old. Furthermore, half of our Board members are female. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies the Board Diversity Policy.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Alliance Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- (ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules, is contemplated, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind, contributions to retirement scheme and share-based compensation expense (if applicable) with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Company.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, allowances, discretionary bonus and other benefits in kind, and pension scheme contributions) paid to our Directors (who are also our senior management) for the Track Record Period were approximately RMB0.9 million, RMB1.6 million, RMB1.2 million and RMB0.8 million, respectively.

The aggregate remuneration (including salaries, allowances, discretionary bonus and other benefits in kind, and pension scheme contributions) paid to our Company's five highest paid individuals (excluding our Directors) for the Track Record Period were approximately RMB1.5 million, RMB1.8 million, RMB2.2 million and RMB1.8 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 Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. Save as disclosed above, no other payments have been made or are payable for the Track Record Period by any member of our Group to any of our Directors. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ended 31 December 2019 to be approximately HK\$1.3 million.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, please refer to note 10 to the Accountants' Report in Appendix I to this prospectus.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. Salient terms of the Share Option Scheme are summarised under "D. Share Option Scheme" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued pursuant to the exercise any options which may be granted under the Share Option Scheme), the following persons will have an interest and/or short positions 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 will, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Nature of interest	As at the date of this prospectus		Immediately following the completion of the Capitalisation Issue and the Global Offering	
		Number of Shares (L) ^{Note 1}	Approximate percentage of shareholding	Number of Shares (L) ^{Note 1}	Approximate percentage of shareholding
Ascendor Futur	Beneficial owner ^{Note 2}	7,926	79.26%	237,780,000	59.45%
Will Full	Interest in a controlled corporation ^{Note 2}	7,926	79.26%	237,780,000	59.45%
Mr. Zhao Weihao	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	7,926	79.26%	237,780,000	59.45%
Ms. Wu Hong	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	7,926	79.26%	237,780,000	59.45%
Mr. Zhao Bin	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	7,926	79.26%	237,780,000	59.45%
Winz Strategy	Beneficial owner ^{Note 3}	2,074	20.74%	62,220,000	15.55%
Ms. Li Yin Ping	Interest in a controlled corporation ^{Note 3}	2,074	20.74%	62,220,000	15.55%
Ms. Wang Qian	Interest of spouse ^{Note 4}	7,926	79.26%	237,780,000	59.45%
Mr. Chan Sheung Chi	Interest of spouse ^{Note 5}	2,074	20.74%	62,220,000	15.55%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. The letter “L” denotes the long position in our Shares.
2. Ascendor Futur is wholly and beneficially owned by Will Full. Will Full is beneficially owned by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin as to 98.62%, 1.00% and 0.38%, respectively. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin together indirectly control all the Shares held by Ascendor Futur through Will Full. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin are parties acting in concert pursuant to the Deed of Acting in Concert. By virtue of the SFO, each of Will Full, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin is deemed to be interested in the same number of Shares in which Ascendor Futur is interested.
3. Winz Strategy is wholly and beneficially owned by Ms. Li Yin Ping. By virtue of the SFO, Ms. Li Yin Ping is deemed to be interested in the same number of Shares in which Winz Strategy is interested.
4. Ms. Wang Qian is the spouse of Mr. Zhao Weihao. Ms. Wang Qian is deemed to be interested in the same number of Shares in which Mr. Zhao Weihao is interested by virtue of the SFO.
5. Mr. Chan Sheung Chi is the spouse of Ms. Li Yin Ping. Mr. Chan Sheung Chi is deemed to be interested in the same number of Shares in which Ms. Li Yin Ping is interested by virtue of the SFO.

Save as disclosed above, none of our Directors is aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would 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 will, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company or any other member of our Group. None of our Directors is aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The table below sets forth information with respect to the authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option):

As at the date of this prospectus

		<i>HK\$</i>
<i>Authorised share capital:</i>		
500,000,000	Shares of HK\$0.01 each	5,000,000
<i>Issued share capital:</i>		
10,000	Shares of HK\$0.01 each	100

Immediately after completion of the Capitalisation Issue and Global Offering

		<i>HK\$</i>
<i>Authorised share capital:</i>		
500,000,000	Shares of HK\$0.01 each	5,000,000
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
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
<u>100,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,000,000</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

ASSUMPTIONS

The table as shown above assumes the Global Offering becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue and Global Offering are made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to in “General mandate to issue Shares” or “General mandate to repurchase Shares” in this section, as the case may be.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

CIRCUMSTANCES WHERE MEETING OF OUR COMPANY ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which are set out in “2. Articles of Association – (d) Meetings of member – (v) Notices of meetings and business to be conducted” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “D. Share Option Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, 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 such number of 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 number of issued Shares immediately following the completion of the Capitalisation Issue and Global Offering (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as referred to in “General mandate to repurchase Shares” in this section.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to "A. Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the 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 which in aggregate shall not exceed 10% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and Global Offering (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "A. Further information about our Company and our subsidiaries – 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to "A. Further information about our Company and our subsidiaries – 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our audited consolidated financial information for the Track Record Period and the accompanying notes (“Financial Information”), included in the Accountants’ Report in Appendix I to this prospectus. Our Financial Information and consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in certain respects from generally accepted accounting principles in other countries. Potential investors should also read the entire Accountants’ Report in Appendix I to this prospectus and should not rely merely on the information contained in this section.

The discussion and analysis in this section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in “Risk factors” in this prospectus.

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are a reputable property management service provider offering comprehensive property management and related services, including (i) property management services; (ii) property developer related services; and (iii) value-added services, for residential and non-residential properties in the PRC. According to the CIC Report, we ranked (i) 21st in the property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.35% in 2018; and (ii) ninth in the non-SOE-related developer-affiliated property management market in Beijing in terms of total GFA under management, with a market share of approximately 0.7% in 2018. We were established in 2003 and commenced our operations in 2004 with a focus on providing property management services in the greater Beijing area. Since 2010, we have been gradually expanding our operations to the surrounding regions such as Tianjin, Zhuozhou city and Langfang city in Hebei province. Since 2014, we expanded further to the southern part of China to Dongfang city and Sanya city in Hainan province. We further expanded to the southeastern part of China to Yichang city in Hubei province in 2017, and to Shenmu city in Shaanxi province in the western part of China in 2018. As at 31 August 2019, we provided property management services to eight cities in the Beijing-Tianjin-Hebei Region, Hubei province, Hainan province and Shaanxi province, with a total revenue-bearing GFA of approximately 4.9 million sq.m., comprising 21 residential properties (with over 39,000 units in total) and 15 non-residential properties.

In 2016, 2017 and 2018, our revenue amounted to approximately RMB116.5 million, RMB191.6 million and RMB251.2 million, respectively, representing a CAGR of approximately 46.8%, while our net profit amounted to approximately RMB17.6 million, RMB35.6 million and RMB37.2 million, respectively, representing a CAGR of approximately 45.6%. Our revenue and adjusted net profit (excluding our listing expenses) also increased from approximately RMB158.1 million and RMB26.3 million for the eight months ended 31 August 2018, respectively, to approximately RMB175.4 million and RMB34.0 million for the eight months ended 31 August 2019, respectively, representing a growth rate of approximately 10.9% and 29.2%, respectively.

FINANCIAL INFORMATION

BASIS OF PREPARATION AND PRESENTATION

Our Financial Information was prepared in accordance with HKFRSs and is presented in RMB.

Prior to our Reorganisation, Beijing Hongkun and its subsidiaries were ultimately controlled by our Controlling Shareholders, Mr. Zhao Weihao, Mr. Zhao Bin and Ms. Wu Hong.

Following the completion of our Reorganisation, our Group comprising our Company, Ye Xing Holdings, Ye Xing (HK) and Beijing Hongkun and its subsidiaries has always been under the common control of our Controlling Shareholders during the Track Record Period and before and after our Reorganisation. Therefore, it is regarded as a continuing entity and our Financial Information has been prepared as if our Company had always been the holding company of our Group.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the Track Record Period which include our financial performance, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

Our consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 31 August 2019 have been prepared to present the assets and liabilities of the companies now comprising our Group at the carrying amounts shown in the financial statements of the companies now comprising our Group which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable.

Please refer to note 2 to the Accountants' Report in Appendix I to this prospectus for further details of our basis of preparation and presentation and "History, Reorganisation and corporate structure – The Reorganisation" in this prospectus for further details of our Reorganisation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period to period comparability of our financial results are principally affected by the following factors:

Changes in our business mix

Our business mix directly impacted our financial results and financial conditions historically and are expected to continue affecting our revenue and financial performance in the future. We derive our revenue from three types of services, namely (i) property management services; (ii) property developer related services; and (iii) value-added services. During the Track Record Period, our revenue was primarily derived from our property management services, which accounted for approximately 63.3%, 59.1%, 67.4% and 69.9% of our total revenue, respectively. In addition, during the Track Record Period, our revenue derived from property developer related services accounted for approximately 28.2%, 32.0%, 24.9% and 23.5% of our total revenue, respectively, whereas our revenue derived from value-added services accounted for approximately 8.5%, 8.9%, 7.7% and 6.6% of our total revenue, respectively.

FINANCIAL INFORMATION

We may not be able to charge the property management fees at desired level for some properties we served, especially those charged at lump sum basis, and our business mix may also fluctuate in response to the demand from our customers for our property developer related services and valued-added services. During the Track Record Period, our gross profit margins were approximately (i) 39.3%, 43.2%, 36.4% and 43.1% for property management services; (ii) 13.5%, 14.0%, 13.4% and 14.5% for property developer related services; and (iii) 47.3%, 61.0%, 60.9% and 62.5% for value-added services, respectively. Since our gross profit margins vary across our three types of services, any significant change in the structure of revenue contribution from our three types of services or significant change in gross profit margin of any type of services may have a significant impact on our overall gross profit margin.

Please refer to “Discussion of selected profit or loss items – Gross profit and gross profit margin” in this section for further details of our gross profit margins of each of our three types of services.

Ability to maintain or increase in our revenue-bearing GFA

During the Track Record Period, we generated a majority of our revenue from property management services, which accounted for approximately 63.3%, 59.1%, 67.4% and 69.9% of our total revenue, respectively. Our total revenue-bearing GFA is directly related to our revenue derived from property management services and accordingly, our business and results of operations largely depend on our ability to renew existing service contracts and secure new service contracts to maintain and increase our revenue-bearing GFA. During the Track Record Period, we experienced a steady growth in our total revenue-bearing GFA from approximately 2.9 million sq.m. as at 31 December 2016 to approximately 3.7 million sq.m. as at 31 December 2017 and further to approximately 4.6 million sq.m. and 4.9 million sq.m. as at 31 December 2018 and 31 August 2019, respectively.

The following table sets forth a breakdown of our revenue-bearing GFA by property developers for the periods indicated:

	Revenue-bearing GFA		Total
	Hongkun Group	Third party property developers	
	<i>'000 sq.m.</i>	<i>'000 sq.m.</i>	<i>'000 sq.m.</i>
As at 31 December 2016	2,873	–	2,873
As at 31 December 2017	3,746	–	3,746
As at 31 December 2018	4,535	42	4,577
As at 31 August 2019	4,811	42	4,853

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As at 31 December 2016, 2017 and 2018 and 31 August 2019, a significant portion of properties we managed were developed by Hongkun Group, which accounted for 100.0%, 100.0%, approximately 99.1% and 99.1% of our total revenue-bearing GFA, respectively. In 2018, we commenced our first property management service project for properties developed by third party property developers, namely Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) in Shenmu city in Shaanxi province as a result of our effort to expand our portfolio of property management services for properties developed by third party property developers. Our revenue-bearing GFA from properties developed by third party property developers accounted for approximately 0.9% and 0.9% of our total revenue-bearing GFA as at 31 December 2018 and 31 August 2019, respectively. We will take continuous efforts to expand our property management services to both residential and non-residential properties developed by third party property developers in order to, among others, diversify our property management portfolio, add new revenue sources and develop our branding.

However, our customers' requirements may change from time to time and there is no assurance that we will be awarded new contracts and our existing contracts will be renewed upon expiry. We may have to offer a proposal with more competitive fee or more favourable terms to secure the contract. There is no assurance that we will successfully compete against our competitors and if we are unable to maintain our market position, our financial performance and result of operation may be adversely affected.

Please refer to “Discussion of selected profit or loss items – Revenue – Sensitivity analysis of total revenue-bearing GFA” in this section for further details of the sensitivity analysis of our total revenue-bearing GFA.

Our ability to negotiate an appropriate property management fee

We generally charge a property management fee to property owners and residents at a fixed lump sum price per sq.m. per month. During the Track Record Period, approximately 86.0%, 90.1%, 93.9% and 94.1% of our total revenue derived from property management services was generated from lump sum services fee, respectively. We set the fixed lump sum price per sq.m. on a project by project basis with reference to a number of factors, including, among others, (i) the type of properties and the scope of services; (ii) the location of properties; (iii) our budgeted costs and our profit margins; and (iv) the pricing of comparable properties in the region. To stay competitive, we have to strike a balance between attaining acceptable margin on one hand, and delivering quality services in a cost efficient manner on the other.

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The following table sets forth a breakdown of our average property management fee by type of properties for the periods indicated:

	Average property management fee		
	Residential properties	Non- residential properties	Overall
	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>
Year ended 31 December 2016	1.7	6.2	2.1
Year ended 31 December 2017	1.8	7.2	2.5
Year ended 31 December 2018	2.2	8.9	3.1
Eight months ended 31 August 2019	2.3	7.8	3.2

We cannot assure that we are able to balance various factors in determining our pricing, any failure in our pricing could materially and adversely affect our financial condition and results of operations. In addition, there is no assurance that we can maintain or negotiate an appropriate property management services fee in the future. In such case, our business and results of operations will be materially and adversely affected.

Ability to manage our labour costs and subcontracting costs

Since property management business requires intensive number of labour, during the Track Record Period, our total labour costs were one of our major costs in our cost of services affecting our gross profit margin, which amounted to approximately RMB32.7 million, RMB57.2 million, RMB79.0 million and RMB44.7 million, respectively, accounting for approximately 28.0%, 29.8%, 31.5% and 25.5% of our total revenue, respectively. During the Track Record Period, our labour costs increased primarily as a result of our business expansion, and increases in minimum wages and the market price for labour in the PRC. As part of our efforts to manage our labour costs and improve our gross profit margin while ensuring consistent service quality, we have implemented a number of measures, including, among others, management centralisation, digitalisation of our customer services and standardisation of our procedures, to reduce our reliance on manual labour.

We have also outsourced certain services, including cleaning, gardening, equipment maintenance, site security services and car park management, to third party independent service providers while maintaining close supervision of their services to ensure service quality. During the Track Record Period, our subcontracting costs amounted to approximately RMB22.5 million, RMB36.5 million, RMB52.0 million and RMB45.4 million, respectively, accounting for approximately 19.3%, 19.0%, 20.7% and 25.9% of our total revenue, respectively.

If there is a substantial increase in our labour costs and subcontracting costs, we may not be able to shift all or some of the increment to our customers and our gross profit margin may reduce accordingly. As a result, our business and results of operations will be materially and adversely affected.

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Please refer to “Discussion of selected profit or loss items – Cost of services – Sensitivity analysis of labour costs and subcontracting costs” in this section for further details of the sensitivity analysis of our labour costs and subcontracting costs.

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Our Directors are required to make judgements, estimates and assumptions that affect our application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details of which are disclosed in note 5 to the Accountants’ Report in Appendix I to this prospectus.

The following paragraphs discuss our critical accounting policies of revenue recognition applied in preparing our Financial Information:

Revenue recognition

Revenue is recognised to depict the transfer of our promised services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. We recognise revenue when (or as) a performance obligation is satisfied, i.e. when control of the services underlying the particular performance obligation is transferred to our customers.

Property management services

For property management services fee income from properties managed under lump-sum basis, where we act as a principal and are primary responsible for providing the property management services to the property owners, we recognise the fee received or receivable from property owners as our revenue and all related property management costs as our cost of services.

For property management services fee income from properties managed under commission basis, where we act as an agent, we recognise revenue, which is calculated by a pre-determined percentage at 10% of our total property management fee received or receivable from our property management projects as commission. Any direct costs under the property management service agreement shall be borne by property owners and residents.

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Property developer related services

For our property developer related services, we agree the price for each service with our customers in advance and issue monthly bill to our customers which varies based on the actual level of services completed in each month. we recognise revenue when the services are rendered.

Value-added services

For value-added services, we recognise revenue over time in the period when our value-added services are rendered. Payment of service fee is due immediately when our value-added services are rendered to our customer.

In addition to the accounting policies of our revenue recognition, we considered various accounting policies, including (i) trade and other receivables; (ii) financial assets at fair value through profit or loss; and (iii) trade and other payables, that are significant to the preparation of our Financial Information, and the understanding of our financial condition and results of operations. Details of which are disclosed in note 4 to the Accountants' Report in Appendix I to this prospectus.

ADOPTION OF NEW AND REVISED HKFRS

Effect on the adoption of HKFRS 9 *Financial Instruments*

We adopted HKFRS 9 from 1 January 2018 onwards and applied for HKAS 39 *Financial Instruments: Recognition and Measurement* prior to 1 January 2018 when preparing our Financial Information. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; and (ii) expected credit losses for financial assets.

All of our financial assets and liabilities continue to be measured at the same measurement basis under HKAS 39.

A key requirement of HKFRS 9 which is relevant to our Group is in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Please refer to note 4 to the Accountants' Report in Appendix I to this prospectus for further details of impairment loss of financial assets.

We have applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and 1 January 2018 was recognised in our opening retained profits and other components of equity, without restating comparative information.

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Consequent to the adoption of HKFRS 9, our Group recorded allowance for expected credit loss on our trade receivables of approximately RMB1.7 million and RMB2.0 million as at 31 December 2018 and 31 August 2019, respectively. As a result of our remeasurement of impairment under expected credit model upon the initial application of HKFRS 9 on 1 January 2018, our opening balance of impairment allowance on trade receivables as at 1 January 2018 increased by approximately RMB0.4 million from approximately RMB1.2 million to approximately RMB1.6 million and such increase in our impairment allowance on trade receivables caused the reduction of approximately RMB0.4 million in our retained profits as at 1 January 2018. We concluded that the adoption of HKFRS 9 has no other significant impact on our consolidated financial statements.

Effect on the adoption of HKFRS 15 Revenue from Contracts with Customers

We had elected to consistently apply HKFRS 15 throughout the Track Record Period when preparing our Financial Information. HKFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18, HKAS 11 and related interpretations.

Upon the adoption of HKFRS 15, our Group recognises revenue when (or as) performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Under HKFRS 15, our Group recognises performance obligations that have not yet been satisfied but for which our Group has received consideration as contract liabilities. By applying HKFRS 15, our Group recognised contract liabilities of approximately RMB40.1 million, RMB52.8 million, RMB50.2 million and RMB59.6 million as at 31 December 2016, 2017 and 2018 and 31 August 2019, respectively.

We concluded that the adoption of HKFRS 15 has no other significant impact on our consolidated financial statements.

Effect on the adoption of HKFRS 16 Leases

We had elected to consistently apply HKFRS 16 throughout the Track Record Period when preparing our Financial Information. We applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application of 1 January 2016. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 and the related interpretations when it becomes effective. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, our Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

We elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HKFRIC 4 *Determining whether an arrangement contains a lease* and not apply this standard to contracts that were not previously identified as containing a lease apply HKAS 17 and HKFRIC 4. Therefore, we will not reassess whether the contracts are, or contain a lease which already existed prior to 1 January 2016. The change in definition of a lease mainly relates to the concept of control. HKFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

We applied the definition of a lease and related guidance set out in HKFRS 16 to all lease contracts entered into or modified on or after 1 January 2016. The new definition in HKFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for our Group.

When applying the modified retrospective approach under HKFRS 16 at transition, we applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for our leases with extension and termination options.

We concluded that the adoption of HKFRS 16 has no other significant impact on our consolidated financial statements.

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DISCUSSION OF SELECTED PROFIT OR LOSS ITEMS

The following table includes items from our consolidated statements of profit or loss and other comprehensive income for the Track Record Period, which has been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	116,502	191,558	251,177	158,086	175,356
Cost of services	<u>(78,448)</u>	<u>(123,728)</u>	<u>(169,451)</u>	<u>(103,201)</u>	<u>(109,409)</u>
Gross profit	38,054	67,830	81,726	54,885	65,947
Other income	2,819	2,501	211	164	59
Other gains or losses	1,074	1,138	2,241	1,902	752
Administrative expenses	(13,517)	(20,246)	(26,576)	(16,940)	(19,291)
Impairment loss, net of reversal	(147)	(610)	(1,691)	(1,432)	(614)
Selling expenses	(3,855)	(2,594)	(6,138)	(3,951)	(1,372)
Listing expenses	-	-	-	-	(13,347)
Interests on lease liabilities	<u>(333)</u>	<u>(315)</u>	<u>(245)</u>	<u>(163)</u>	<u>(115)</u>
Profit before tax	24,095	47,704	49,528	34,465	32,019
Income tax expense	<u>(6,542)</u>	<u>(12,129)</u>	<u>(12,307)</u>	<u>(8,176)</u>	<u>(11,388)</u>
Profit and total comprehensive income for the year/period	<u><u>17,553</u></u>	<u><u>35,575</u></u>	<u><u>37,221</u></u>	<u><u>26,289</u></u>	<u><u>20,631</u></u>

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	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit and total comprehensive income (expense) for the year/period attributable to:					
Owners of our Company	17,553	35,887	36,940	26,202	20,631
Non-controlling interests	—	(312)	281	87	—
	<u>17,553</u>	<u>35,575</u>	<u>37,221</u>	<u>26,289</u>	<u>20,631</u>

Revenue

During the Track Record Period, we operated a property management business to derive revenue from the following three types of services, including (i) property management services; (ii) property developer related services; and (iii) value-added services.

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

	Year ended 31 December						Eight months ended 31 August			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							(unaudited)			
Property management services	73,790	63.3	113,183	59.1	169,301	67.4	107,333	67.9	122,589	69.9
Property developer related services	32,858	28.2	61,337	32.0	62,487	24.9	39,259	24.8	41,235	23.5
Value-added services	9,854	8.5	17,038	8.9	19,389	7.7	11,494	7.3	11,532	6.6
Total	<u>116,502</u>	<u>100.0</u>	<u>191,558</u>	<u>100.0</u>	<u>251,177</u>	<u>100.0</u>	<u>158,086</u>	<u>100.0</u>	<u>175,356</u>	<u>100.0</u>

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Property management services

Our property management services primarily include the provision of (i) repair and maintenance services; (ii) security services; (iii) cleaning and gardening services; (iv) management and leasing of car parking space; and (v) other property management related customer services to a diversified portfolio of residential properties, including ranging from affordable properties (經濟適用房) to high-end residential communities with villas and non-residential properties, including office buildings and shopping malls, shop spaces and other facilities, such as stadium. For further details of our scope of property management services, please refer to “Business – Property management services – Scope of our property management services” in this prospectus.

During the Track Record Period, our revenue derived from property management services amounted to approximately RMB73.8 million, RMB113.2 million, RMB169.3 million and RMB122.6 million, respectively, accounting for approximately 63.3%, 59.1%, 67.4% and 69.9% of our total revenue, respectively.

Our revenue derived from property management services continued to increase during the Track Record Period, which was primarily attributable to the increase in our total revenue-bearing GFA resulting from our business expansion in terms of the increase in the number of property management projects and stage-by-stage delivery of properties in our property management projects (i) for both residential and non-residential properties; and (ii) both in the Beijing-Tianjin-Hebei Region and in other different parts of China, including Hainan province, Hubei province and Shaanxi province.

(i) By revenue model

In the PRC, property management fees may be charged on either a lump sum basis or a commission basis. The lump sum model is the prevailing market practice of collecting property management fees in the PRC, especially in relation to residential properties. It dispenses with certain collective decision making procedures among property owners and residents for making large expenditures, which are required under the commission basis revenue model. In addition, it incentivises the property management companies to optimise their cost structure, implement cost-saving initiatives and streamline their business operations to enhance their profitability.

During the Track Record Period, we charged property management fees under the lump sum basis for most of the properties we managed, representing approximately 86.0%, 90.1%, 93.9% and 94.1% of our total revenue derived from property management services, respectively. We expect that property management fees charged on a lump sum basis will continue to account for substantially portion of our revenue from property management services in the foreseeable future.

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The following table sets forth a breakdown of our total revenue-bearing GFA as at the dates indicated and our revenue derived from property management services by revenue model for the periods indicated:

	2016		As at/Year ended 31 December						2018		As at/Eight months ended 31 August									
	Revenue-bearing		Revenue		Revenue-bearing		Revenue		Revenue-bearing		Revenue		Revenue-bearing		Revenue					
	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%		
Lump sum basis	2,147	74.7	63,423	86.0	2,947	78.7	101,955	90.1	3,778	82.5	158,914	93.9	3,378	80.9	100,849	94.0	4,054	83.5	115,353	94.1
Commission basis	726	25.3	10,367	14.0	799	21.3	11,228	9.9	799	17.5	10,387	6.1	799	19.1	6,484	6.0	799	16.5	7,236	5.9
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

For further details of our property management fees charged on lump sum basis and commission basis, please refer to “Business – Property management services – Property management fees” in this prospectus.

(ii) By type of property developers

During the Track Record Period, we derived a majority of our revenue from property management services from properties developed by Hongkun Group, representing 100.0%, 100.0%, approximately 98.4% and 98.5% of our total revenue derived from property management services, respectively. In 2018, we commenced our first property management service project for properties developed by third party property developers, namely Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) in Shenmu city in Shaanxi province, which was primarily as a result of our effort to expand our portfolio of property management services. Our property management service income from properties developed by third party property developers accounted for approximately 1.6% and 1.5% of our total revenue derived from property management services in 2018 and for the eight months ended 31 August 2019, respectively.

The following table sets forth a breakdown of our total revenue-bearing GFA as at the dates indicated and our revenue derived from property management services by type of property developers for the periods indicated:

	2016		As at/Year ended 31 December						2018		As at/Eight months ended 31 August									
	Revenue-bearing		Revenue		Revenue-bearing		Revenue		Revenue-bearing		Revenue		Revenue-bearing		Revenue					
	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%	GFA '000 sq.m.	% RMB'000	%		
Hongkun Group	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,535	99.1	166,514	98.4	4,135	99.0	105,433	98.2	4,811	99.1	120,702	98.5
Third party property developers	-	-	-	-	-	-	-	-	42	0.9	2,787	1.6	42	1.0	1,900	1.8	42	0.9	1,887	1.5
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

(iii) By type of properties

During the Track Record Period, a majority of our revenue derived from property management services was generated from the property management services provided to the residential properties, which accounted for approximately 68.9%, 64.1%, 60.4% and 60.2% of our total revenue derived from property management services, respectively.

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The general increase in percentage of revenue derived from non-residential properties management services to the total revenue from our property management services during the Track Record Period primarily reflected our continuous efforts to diversify the types of properties we manage, especially in relation to the expansion of our management portfolio of non-residential properties in Beijing and Tianjin, including office buildings and shopping malls, shop spaces and other facilities, such as stadium (which was reflected by the increase in the revenue-bearing GFA of non-residential properties). During the Track Record Period, our property management service income generated from non-residential properties accounted for approximately 31.1%, 35.9%, 39.6% and 39.8% of our total revenue derived from property management services, respectively.

The following table sets forth a breakdown of our total revenue-bearing GFA as at the dates indicated and our revenue derived from property management services by type of properties for the periods indicated:

	As at/Year ended 31 December												As at/Eight months ended 31 August							
	2016			2017			2018			2018			2019							
	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue					
	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000					
Residential properties	2,565	89.3	50,829	68.9	3,273	87.4	72,509	64.1	3,948	86.3	102,284	60.4	3,591	86.0	64,845	60.4	4,068	83.8	73,780	60.2
Non-residential properties	308	10.7	22,961	31.1	473	12.6	40,674	35.9	629	13.7	67,017	39.6	586	14.0	42,488	39.6	785	16.2	48,809	39.8
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

For further details of residential and non-residential properties under our management, please refer to “Business – Property management services – Our geographic presence” in this prospectus.

(iv) By geographic coverage

We divide our geographic coverage into six major regions in the PRC, namely (i) Beijing; (ii) Tianjin; (iii) Hebei province, including Zhuozhou city and Langfang city; (iv) Hainan province, including Dongfang city and Sanya city; (v) Hubei province, including Yichang city; and (vi) Shaanxi province, including Shenmu city.

The following table sets forth a breakdown of our total revenue-bearing GFA as at the dates indicated and our revenue derived from property management services by geographic coverage for the periods indicated:

	As at/Year ended 31 December												As at/Eight months ended 31 August							
	2016			2017			2018			2018			2019							
	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue	Revenue-bearing GFA		Revenue					
	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000	'000 sq.m.	%	RMB'000					
Beijing	1,561	54.4	55,718	75.5	1,761	47.0	77,375	68.4	1,874	41.0	97,661	57.7	1,826	43.7	61,503	57.3	2,030	41.8	70,251	57.3
Tianjin	127	4.4	1,309	1.8	288	7.7	5,111	4.5	407	8.9	20,162	11.9	336	8.1	13,103	12.2	447	9.2	15,086	12.3
Hebei province	891	31.0	13,867	18.8	1,236	33.0	23,561	20.8	1,544	33.7	36,074	21.3	1,350	32.3	22,975	21.4	1,544	31.9	25,511	20.8
Beijing-Tianjin-Hebei Region	2,579	89.8	70,894	96.1	3,285	87.7	106,047	93.7	3,825	83.6	153,897	90.9	3,512	84.1	97,581	90.9	4,021	82.9	110,848	90.4
Hainan province	294	10.2	2,896	3.9	367	9.8	5,813	5.1	454	9.9	6,551	3.9	367	8.8	3,609	3.4	454	9.4	5,865	4.8
Hubei province	-	-	-	-	94	2.5	1,323	1.2	256	5.6	6,066	3.6	256	6.1	4,243	3.9	336	6.9	3,989	3.3
Shaanxi province	-	-	-	-	-	-	-	-	42	0.9	2,787	1.6	42	1.0	1,900	1.8	42	0.8	1,887	1.5
Total	2,873	100.0	73,790	100.0	3,746	100.0	113,183	100.0	4,577	100.0	169,301	100.0	4,177	100.0	107,333	100.0	4,853	100.0	122,589	100.0

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During the Track Record Period, most of our revenue derived from property management services was generated in the Beijing-Tianjin-Hebei Region, which accounted for approximately 96.1%, 93.7%, 90.9% and 90.4% of our total revenue derived from property management services, respectively.

The general increase in percentage of revenue derived from property management services outside the Beijing-Tianjin-Hebei Region to the total revenue from our property management services during the Track Record Period primarily reflected our continuous efforts to diversify our geographic coverage of our management portfolio in other parts of the PRC, including Hubei province, Hainan province and Shaanxi province.

Sensitivity analysis of total revenue-bearing GFA

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 3% and 10% in our total revenue-bearing GFA, with other variables remaining constant, on our profit before income tax for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
+3%	2,214	3,395	5,079	3,220	3,678
+10%	7,379	11,318	16,930	10,733	12,259
-3%	(2,214)	(3,395)	(5,079)	(3,220)	(3,678)
-10%	(7,379)	(11,318)	(16,930)	(10,733)	(12,259)

The hypothetical fluctuation rates for our total revenue-bearing GFA are set at 3% and 10%, which correspond to (i) the CAGR of the total GFA of properties under management in the PRC of approximately 10.4% from 2014 to 2018 and approximately 9.7% from 2018 to 2023 as stated in “Industry overview – Overview of the property management industry in the PRC – Market size and forecast for property management market in the PRC” in this prospectus; and (ii) the CAGR of the total GFA of properties under management in Beijing, Tianjin and Hebei province of approximately 4.0% to 10.1%, from 2014 to 2018 and 3.1% to 9.1% from 2018 to 2023 as stated in “Industry overview – Overview of the property management industries in Beijing, Tianjin and Hebei province” in this prospectus.

Property developer related services

Our property developer related services primarily include (i) sales assistance services; (ii) pre-delivery cleaning and preparation services; (iii) post-delivery repair services; and (iv) planning and design consultancy and inspection services, at different stages of a property development project before the delivery of properties to property owners, and generated revenue of approximately RMB32.9 million, RMB61.3 million, RMB62.5 million and RMB41.2 million during the Track Record Period, respectively, accounting for approximately 28.2%, 32.0%, 24.9% and 23.5% of our total revenue, respectively. For further details of our scope of property developer related services, please refer to “Business – property developer related services – Scope of our property developer related services” in this prospectus.

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The following table sets forth a breakdown of the number of property developer related services projects and our revenue derived from property developer related services by geographic coverage for the periods indicated:

	Year ended 31 December						Eight months ended 31 August								
	2016		2017		2018		2018		2019						
	Number of projects	Revenue RMB'000	Number of projects	Revenue RMB'000	Number of projects	Revenue RMB'000	Number of projects	Revenue RMB'000	Number of projects	Revenue RMB'000	Number of projects	Revenue RMB'000			
	%	%	%	%	%	%	%	%	%	%	%				
	<i>(unaudited)</i>														
Beijing	6	9,672	29.4	9	20,715	33.8	7	18,526	29.6	4	10,051	25.6	4	14,194	34.4
Tianjin	5	7,534	22.9	8	13,706	22.3	7	16,184	25.9	7	10,306	26.3	6	8,929	21.7
Hebei province	10	12,282	37.4	9	18,456	30.1	7	13,304	21.3	7	10,243	26.0	7	11,158	27.0
Beijing-Tianjin-Hebei Region	21	29,488	89.7	26	52,877	86.2	21	48,014	76.8	18	30,600	77.9	17	34,281	83.1
Hainan province	2	3,370	10.3	2	5,009	8.2	2	4,584	7.3	2	2,529	6.4	2	663	1.6
Hubei province	-	-	-	1	1,076	1.8	2	4,700	7.5	2	2,757	7.0	1	2,318	5.6
Jiangsu province	-	-	-	1	1,024	1.7	1	2,209	3.5	1	1,478	3.8	1	2,051	5.0
Anhui province	-	-	-	1	1,351	2.1	1	2,980	4.9	1	1,895	4.9	1	1,922	4.7
Total	23	32,858	100.0	31	61,337	100.0	27	62,487	100.0	24	39,259	100.0	22	41,235	100.0

The increase in our revenue derived from property developer related services was primarily attributable to the increase in the number of property developer related services projects obtained from Hongkun Group due to the rolling out of new Hongkun Group property projects.

During the Track Record Period, most of our revenue derived from property developer related services was attributable to Hongkun Group, which amounted to approximately RMB32.9 million, RMB60.7 million, RMB60.6 million and RMB40.7 million, respectively, representing 100.0%, approximately 98.9%, 97.0% and 98.7% of our total property developer related services revenue, respectively.

Value-added services

The following table sets forth a breakdown of our revenue derived from our value-added services for the periods indicated:

	Year ended 31 December						Eight months ended 31 August					
	2016		2017		2018		2018		2019			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>											
Home living services (Note 1)	6,337	64.3	9,290	54.5	10,386	53.6	5,478	47.7	6,676	57.9		
Leasing of common areas (Note 2)	2,857	29.0	5,188	30.4	5,180	26.7	3,041	26.5	4,645	40.3		
Equipment repair and installation services (Note 3)	-	-	-	-	2,798	14.4	2,798	24.3	-	-		
Housekeeping services (Note 4)	-	-	1,178	6.9	99	0.5	99	0.9	-	-		
Others	660	6.7	1,382	8.2	926	4.8	78	0.6	211	1.8		
Total	9,854	100.0	17,038	100.0	19,389	100.0	11,494	100.0	11,532	100.0		

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Notes:

- (1) Our home living services primarily included our collection of electricity tariffs, air-conditioning and heating fees, household repair and maintenance services provided to property owners and residents of our managed residential or non-residential properties.
- (2) Our leasing of common areas primarily represented the leasing of certain common areas of our managed residential or non-residential properties to third-party services providers for setting up advertisement lightbox, distilled water vending machines, screens in lifts and other facilities.
- (3) Our equipment repair and installation services primarily represented the provision of repair and installation services of equipment, machinery and elevators in our managed residential properties mainly to Hongkun Group by Hebei Norden, which was established in July 2017 and was sold to its non-controlling shareholder, namely Guangzhou Norden in December 2018.
- (4) Our housekeeping services primarily represented the provision of housekeeping services to property owners and residents of our managed residential properties by Beijing Hongkun Love Housekeeping, which was established in March 2017 and was deregistered in July 2018.

During the Track Record Period, our revenue derived from value-added services amounted to approximately RMB9.9 million, RMB17.0 million, RMB19.4 million and RMB11.5 million, respectively, accounting for approximately 8.5%, 8.9%, 7.7% and 6.6% of our total revenue, respectively. For further details of our scope of value-added services, please refer to “Business – Value-added services – Scope of our value-added services” in this prospectus.

The increase in our revenue derived from value-added services during the Track Record Period was primarily attributable to the increase in our revenue from home living services and leasing of common areas mainly due to the increase in the number of our managed residential and non-residential properties which provided a larger customer base to our Group.

Hebei Norden was engaged in the provision of equipment repair and installation services and Beijing Hongkun Love Housekeeping was engaged in the provision of housekeeping services. As the services provided by Hebei Norden and Beijing Hongkun Love Housekeeping were part of the value-added services of our Group, which (i) did not represent a separate major line of business or geographical area of operation; (ii) were not part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (iii) are not subsidiaries acquired exclusively with a view to resale, our Directors are of the view that the operations of Hebei Norden (prior to our disposal of its interest therein) and Beijing Hongkun Love Housekeeping (prior to its deregistration) are not considered to be “discontinued operations” of our Group in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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Cost of services

The following table sets forth a breakdown of our cost of services for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017		2018		2018		2019	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Labour costs	32,652	41.6	57,166	46.2	78,996	46.6	51,302	49.7	44,664	40.8
Subcontracting costs	22,515	28.7	36,474	29.5	51,995	30.7	34,463	33.4	45,441	41.5
Utility costs	7,235	9.2	10,406	8.4	15,002	8.9	8,509	8.2	10,250	9.4
Office expenses	5,096	6.5	7,208	5.8	8,396	5.0	1,885	1.8	2,120	1.9
Repair and maintenance costs	2,592	3.3	7,394	6.0	9,935	5.9	4,179	4.0	3,902	3.6
Other costs	8,358	10.7	5,080	4.1	5,127	2.9	2,863	2.9	3,032	2.8
Total	78,448	100.0	123,728	100.0	169,451	100.0	103,201	100.0	109,409	100.0

Our cost of services primarily consisted of (i) our staff costs mainly including wages and salaries, social insurance and other employee benefits of our on-site employees; (ii) our subcontracting costs mainly in respect of cleaning, gardening, equipment maintenance, site security services and car park management; (iii) our utility costs, such as water and electricity charges; (iv) our office expenses mainly including our expenses incurred for travel and transportation, lease-related expenses, entertainment and other office expenses incurred in our management offices and sites in relation to the provision of our services; and (v) our repair and maintenance costs mainly representing our costs and expenses for materials and components used for property repair and maintenance services.

During the Track Record Period, the fluctuation in our cost of services was primarily attributable to the fluctuation in our labour costs and subcontracting costs, which aggregately amounted to approximately RMB55.2 million, RMB93.6 million, RMB131.0 million and RMB90.1 million, respectively, accounting for approximately 70.3%, 75.7%, 77.3% and 82.4% of our total cost of services, respectively. The increase in our labour costs and subcontracting costs during the Track Record Period was mainly due to the increase in our labour headcount, and the increase in our revenue-bearing GFA in respect of the expansion of our property management business, respectively.

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Sensitivity analysis of labour costs and subcontracting costs

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 3% and 12% in our labour costs and our subcontracting costs, with other variables remaining constant, on our profit before income tax for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Labour costs:					
+3%	(980)	(1,715)	(2,370)	(1,539)	(1,340)
+12%	(3,918)	(6,860)	(9,480)	(6,156)	(5,360)
-3%	980	1,715	2,370	1,539	1,340
-12%	3,918	6,860	9,480	6,156	5,360
Subcontracting costs:					
+3%	(675)	(1,094)	(1,560)	(1,034)	(1,363)
+12%	(2,702)	(4,377)	(6,239)	(4,136)	(5,453)
-3%	675	1,094	1,560	1,034	1,363
-12%	2,702	4,377	6,239	4,136	5,453

The hypothetical fluctuation rates for our labour costs and subcontracting costs are set at 3% and 12%, which correspond to the CAGR of the minimum monthly wage standards in Beijing, Tianjin and Hebei province of approximately 3.3% to 11.9% from 2014 to 2018 as stated in “Industry overview – Overview of the property management industry in the PRC – Cost analysis for the property management market in the PRC” in this prospectus.

Breakeven analysis of cost of services

If our cost of services increased by approximately 30.7%, 38.6%, 29.2% and 29.3% during the Track Record Period, respectively, with other variables remaining constant, we would reach breakeven for our profit before tax for the relevant year/period.

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Gross profit and gross profit margin

Our gross profit represented our revenue less our cost of services. Our gross profit margin represented our gross profit divided by our revenue, multiplied by 100%. The following table sets forth a breakdown of our gross profit and gross profit margin by type of services for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	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	%
Property management services	28,964	39.3	48,887	43.2	61,550	36.4	42,231	39.3	52,777	43.1
Property developer related services	4,427	13.5	8,557	14.0	8,370	13.4	5,529	14.1	5,962	14.5
Value-added services	<u>4,663</u>	47.3	<u>10,386</u>	61.0	<u>11,806</u>	60.9	<u>7,125</u>	62.0	<u>7,208</u>	62.5
Total/Overall	<u>38,054</u>	32.7	<u>67,830</u>	35.4	<u>81,726</u>	32.5	<u>54,885</u>	34.7	<u>65,947</u>	37.6

The following table sets forth a breakdown of our gross profit and gross profit margin by type of property developers for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	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	%
Hongkun Group	38,054	32.7	67,730	35.5	81,327	33.0	54,596	35.2	65,711	38.0
Third party property developers	<u>-</u>	N/A	<u>100</u>	15.1	<u>399</u>	8.6	<u>289</u>	9.9	<u>236</u>	9.7
Total/Overall	<u>38,054</u>	32.7	<u>67,830</u>	35.4	<u>81,726</u>	32.5	<u>54,885</u>	34.7	<u>65,947</u>	37.6

Our gross profit increased from approximately RMB38.1 million in 2016 to approximately RMB67.8 million in 2017 and further to approximately RMB81.7 million in 2018, and increased from approximately RMB54.9 million for the eight months ended 31 August 2018 to approximately RMB65.9 million for the eight months ended 31 August 2019, which primarily followed the fluctuations in our revenue during the Track Record Period. The fluctuations in the gross profit by each type of our services during the Track Record Period also primarily followed the fluctuations in our revenue derived from each type of our corresponding services during the Track Record Period.

During the Track Record Period, our overall gross profit margin was approximately 32.7%, 35.4%, 32.5% and 37.6%, respectively. Such fluctuation in our overall gross profit margins was primarily affected by (i) the factors affecting the gross profit margins for each type of our services; and (ii) the changes in our business mix.

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Our gross profit margin for property management services is primarily affected by (i) the average property management fee we charge for our property management services; and (ii) our average cost of property management services for providing such services.

During the Track Record Period, our average property management fee was approximately RMB2.1 per sq.m. per month, RMB2.5 per sq.m. per month, RMB3.1 per sq.m. per month and RMB3.2 per sq.m. per month, respectively. Such increase in our average property management fee was primarily attributable to (i) property management fee rates for our newer property management projects are higher compared to those for older projects; and (ii) the general increase in our revenue and revenue-bearing GFA contribution from non-residential property projects which generally have higher property management fee rates.

During the Track Record Period, our average cost of property management services was approximately RMB1.3 per sq.m. per month, RMB1.4 per sq.m. per month, RMB2.0 per sq.m. per month and RMB1.8 per sq.m. per month, respectively. The increase in our average cost of property management services from approximately RMB1.4 per sq.m. per month in 2017 to approximately RMB2.0 per sq.m. per month in 2018 was primarily attributable to the further upgrade and enhancement of our brand image and services quality from the second half of 2018 by means of increasing in our manpower (which in turn leading to the increase in our labour costs and subcontracting costs) in our managed properties to optimise our customers' experience and promote the living quality of property owners and residents at our managed properties.

During the Track Record Period, our gross profit margin for property developer related services remained relatively stable at approximately 13.5%, 14.0%, 13.4% and 14.5%, respectively, because we adopted similar mark-up policy for our property developer related projects, in particular our Hongkun Group projects, and the relevant fee rates charged to property developers as well as the increment in our relevant labour costs and subcontracting costs remained relatively stable.

Our gross profit margin for value-added services is generally higher than that for property management services and property developer related services, which is primarily attributable to the fact that the provision of our value-added services are add-on services for property management services to property owners and residents which are less labour intensive as compared to that of the provision for our property management services and property developer related services due to the nature of the services. Owing to the increase in the number of our property management projects and customer base in 2017 and maintaining relatively fixed maintenance and operation costs for certain of our value-added services, including our leasing of common areas and collection of utility tariffs, our gross profit margin for value-added services increased from approximately 47.3% in 2016 to approximately 61.0% in 2017.

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Our gross profit margin for properties developed by third party property developers was lower than that for properties developed by Hongkun Group during the Track Record Period, which was primarily because (i) we did not provide any value-added services for properties developed by third party property developers while our gross profit margin for value-added services was relatively higher than that of other two types of services; (ii) our gross profit margin for property management services provided to properties developed by third party property developers was lower than that for properties developed by Hongkun Group primarily attributable to the fact that (a) we generally incurred lower cost of property management services per sq.m. per month associated with our management of properties developed by Hongkun Group as a result of a longer business relationship and a larger overall scale of properties under management to achieve the economies of scale; and (b) we incurred higher cost of property management services per sq.m. per month associated with our first property management service project for properties developed by third party property developers, namely Jinjie Coal Mine – singles-apartment* (錦界煤礦單身公寓) (1) in order to expand our portfolio of property management services, to solidify the cooperation and to improve our customer experience and brand image; and (2) mainly because it is a relatively small property management service project with revenue-bearing GFA of approximately 42,000 sq.m. only.

The following table sets forth a breakdown of our average property management fee by type of property developers for the periods indicated:

	Average property management fee		
	Hongkun Group	Third party property developers	Overall
	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>	<i>RMB per sq.m. per month</i>
Year ended 31 December 2016	2.1	N/A	2.1
Year ended 31 December 2017	2.5	N/A	2.5
Year ended 31 December 2018	3.1	5.5	3.1
Eight months ended 31 August 2019	3.1	5.6	3.2

Other income

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	83	210	211	164	59
Interest income from loans to a fellow subsidiary (Note)	2,736	2,291	–	–	–
Total	2,819	2,501	211	164	59

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Note: Our interest income from loans to a fellow subsidiary represented our interest income derived from interest-bearing loans to a fellow subsidiary in Hongkun Group which carried interest at 6% to 10% per annum. For further details, please refer “Discussion of selected balance sheet items – Amounts due from related parties” in this section.

Other gains or losses

The following table sets forth a breakdown of our other gains or losses for the periods indicated:

	Year ended			Eight months ended	
	31 December			31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment	(11)	(14)	(35)	(34)	–
Gain on disposal of a subsidiary (<i>Note 1</i>)	–	–	37	–	–
Gain on deregistration of a subsidiary (<i>Note 2</i>)	–	–	98	98	–
Gain on fair value changes of financial assets at fair value through profit or loss (<i>Note 3</i>)	1,081	749	1,628	1,294	–
Gain on waiver of trade and other payables upon deregistration of subsidiaries	–	144	363	287	–
Net exchange gain (<i>Note 4</i>)	–	–	–	–	528
Others	4	259	150	257	224
Total	<u>1,074</u>	<u>1,138</u>	<u>2,241</u>	<u>1,902</u>	<u>752</u>

Notes:

- (1) Our gain on disposal of a subsidiary represented our gain arising the sale of our 55% equity interest in Hebei Norden to its non-controlling shareholder, namely Guangzhou Norden in December 2018.
- (2) Our gain on deregistration of a subsidiary represented our gain arising the deregistration of Beijing Hongkun Love Housekeeping in July 2018.
- (3) Our gain on fair value changes of financial assets at fair value through profit or loss primarily represented our investment returns from our investments in wealth management products issued by the PRC financial institutions, including PRC banks and a fellow subsidiary in Parent Group (which were classified as financial assets at fair value through profit or loss in our consolidated statements of financial position). We ceased to invest in any wealth management products in November 2018.
- (4) Our net exchange gain primarily represented our exchange gain arising from translation of bank balances denominated in HK\$ into RMB.

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Administrative expenses

During the Track Record Period, our administrative expenses accounted for approximately 11.6%, 10.6%, 10.6% and 11.0% of our total revenue, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017		2018		2018		2019	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs (<i>Note 1</i>)	9,769	72.3	14,899	73.6	19,567	73.6	12,569	74.2	14,747	76.4
Professional fees (<i>Note 2</i>)	170	1.3	1,576	7.8	2,776	10.4	1,988	11.7	747	3.9
Travel and entertainment expenses (<i>Note 3</i>)	807	6.0	1,015	5.0	802	3.0	401	2.4	816	4.2
Lease-related expenses (<i>Note 4</i>)	913	6.8	919	4.5	947	3.6	631	3.7	586	3.0
Bank charges	503	3.7	567	2.8	601	2.3	367	2.2	475	2.5
Other expenses (<i>Note 5</i>)	1,355	9.9	1,270	6.3	1,883	7.1	984	5.8	1,920	10.0
Total	13,517	100.0	20,246	100.0	26,576	100.0	16,940	100.0	19,291	100.0

Notes:

- (1) Our staff costs primarily represented our wages and salaries, social insurance and other employee benefits of management and administrative staff.
- (2) Our legal and professional fees primarily represented our fees incurred for the listing on and delisting of NEEQ.
- (3) Our travel and entertainment expenses primarily represented our travel and accommodation expenses for our business trips of our management and administrative staff, and our entertainment expenses mainly incurred for our business development and administrative purposes.
- (4) Our lease-related expenses primarily represented our rental expenses incurred for short-term leases of our staff quarters and our depreciation of right-of-use assets.
- (5) Our other expenses primarily represented our office expenses, depreciation, consumables and stationery expenses, training and meeting expenses, and repair and maintenance.

Impairment loss, net of reversal

During the Track Record Period, our impairment loss, net of reversal of approximately RMB0.1 million, RMB0.6 million, RMB1.7 million and RMB0.6 million, respectively, primarily represented the net impairment loss on our trade receivables in respect of our impairment assessment in accordance with HKAS 39 as at 31 December 2016 and 2017 and in accordance with HKFRS 9 as at 31 December 2018 and 31 August 2019. For further details of our adoption of HKFRS 9, please refer to “Adoption of new and revised HKFRS – Effect on the adoption of HKFRS 9 *Financial Instruments*” in this section.

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Selling expenses

During the Track Record Period, our selling expenses accounted for approximately 3.3%, 1.4%, 2.4% and 0.8% of our total revenue, respectively. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	2016		Year ended 31 December				Eight months ended 31 August			
	RMB'000	%	2017	2018	2019	2020	2021	2022	2023	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs (Note 1)	2,345	60.8	1,004	38.7	2,666	43.4	2,482	62.8	707	51.5
Promotional expenses (Note 2)	380	9.9	1,006	38.8	2,630	42.8	1,229	31.1	509	37.1
Travel and entertainment expenses (Note 3)	374	9.7	219	8.4	104	1.7	69	1.7	33	2.4
Others	756	19.6	365	14.1	738	12.1	171	4.4	123	9.0
Total	3,855	100.0	2,594	100.0	6,138	100.0	3,951	100.0	1,372	100.0

Notes:

- (1) Our staff costs primarily represented our wages and salaries, social insurance and other employee benefits of marketing development staff and our temporary staff costs to facilitate the promotion and marketing events and activities organised in our managed properties.
- (2) Our promotional expenses primarily represented our expenses incurred for advertising and marketing our property management projects, such as banners and posters, and our expenses incurred to facilitate the promotion and marketing events and activities organised in our managed properties.
- (3) Our travel and entertainment expenses primarily represented our travel and accommodation expenses and our entertainment expenses for our business trips of our sales and marketing staff.

Listing expenses

Our listing expenses of approximately RMB13.3 million for the eight months ended 31 August 2019 primarily represented our professional services fees charged into our profit or loss which were incurred to professional parties by our Company in relation to the Listing. Please refer to “Listing expenses” in this section for further details of our listing expenses.

Interests on lease liabilities

Our interests on lease liabilities represented our finance costs incurred in respect of our lease liabilities in relation to our leases of office premises and staff quarters with lease terms of over one year as disclosed in “Business – Our properties – Leased property” in this prospectus.

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During the Track Record Period, our interests on lease liabilities amounted to approximately RMB0.3 million, RMB0.3 million, RMB0.2 million and RMB0.1 million, respectively, accounting for approximately 0.3%, 0.2%, 0.1% and 0.1% of our total revenue, respectively.

Income tax expense

During the Track Record Period, our income tax expense comprised our current EIT and deferred tax for the year/period. The following table sets forth a breakdown of our income tax expense and effective tax rate for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax expense – EIT					
– Provision for the year/period	6,579	11,984	12,492	8,589	10,616
Deferred tax	<u>(37)</u>	<u>145</u>	<u>(185)</u>	<u>(413)</u>	<u>772</u>
Total	<u><u>6,542</u></u>	<u><u>12,129</u></u>	<u><u>12,307</u></u>	<u><u>8,176</u></u>	<u><u>11,388</u></u>
Effective tax rate	27.2%	25.4%	24.8%	23.7%	35.6%

We are subject to income tax calculated at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Under the current laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the BVI.

Under the EIT Law and the Implementation Rules, the tax rate applicable to our PRC subsidiaries is 25%.

Our Directors confirmed that as at the Latest Practicable Date, (i) we have made all required tax filings under the relevant tax laws and regulations in the relevant jurisdictions and have paid all outstanding tax liabilities due; and (ii) we were not subject to any other dispute or potential dispute with the tax authorities in the relevant jurisdictions.

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DISCUSSION OF RESULTS OF OPERATIONS

Eight months ended 31 August 2019 compared to eight months ended 31 August 2018

Revenue

Our revenue increased by approximately RMB17.3 million (or approximately 10.9%) from approximately RMB158.1 million for the eight months ended 31 August 2018 to approximately RMB175.4 million for the eight months ended 31 August 2019, which was primarily attributable to:

- (i) the increase in our revenue derived from property management services from approximately RMB107.3 million for the eight months ended 31 August 2018 to approximately RMB122.6 million for the eight months ended 31 August 2019 mainly due to (a) the increase in our total revenue-bearing GFA from approximately 4.6 million sq.m. as at 31 August 2018 to approximately 4.9 million sq.m. as at 31 August 2019 mainly because of (1) our continuous efforts to expand our property management portfolio to include more non-residential properties in Beijing, mainly including Hongkun Plaza Office Building C* (鴻坤廣場C辦公樓), Hongkun – Bio-med Valley* (鴻坤 • 生物醫藥谷) and Hongkun – International Biomedical Park* (鴻坤 • 國際生物醫藥園); and (2) the stage-by-stage delivery of properties in our certain residential and non-residential property projects under our management, mainly including Hongkun Value Town* (鴻坤 • 金融谷) in Beijing, Hongkun Dreamland of Town* (鴻坤 • 原鄉小鎮)/(理想花園) in Tianjin, Shinkansen* (新幹綫) in Zhuozhou city, Hebei province, and Hongkun Romantic Bay* (鴻坤 • 理想瀾灣)/(理想家苑) and Hongkun Dream Valley* (鴻坤 • 原鄉溪谷)/(理想嘉業) in Langfang city, Hebei province; and (b) the stable average management service fee of approximately RMB3.2 per sq.m. per month for the eight months ended 31 August 2018 and 2019;
- (ii) the stable revenue derived from our property developer related services of approximately RMB39.3 million and RMB41.2 million for the eight months ended 31 August 2018 and 2019, respectively; and
- (iii) the stable revenue derived from our value-added services of approximately RMB11.5 million for the eight months ended 31 August 2018 and 2019.

Cost of services

Our cost of services increased by approximately RMB6.2 million (or approximately 6.0%) from approximately RMB103.2 million for the eight months ended 31 August 2018 to approximately RMB109.4 million for the eight months ended 31 August 2019, which was primarily attributable to:

- (i) the increase in our subcontracting costs from approximately RMB34.5 million for the eight months ended 31 August 2018 to approximately RMB45.4 million for the eight months ended 31 August 2019 mainly due to (a) the increase in our outsourcing of our cleaning, gardening, equipment maintenance and site security services to our subcontractors during the eight months ended 31 August 2019 (which in turn leading to the decrease in our labour costs from approximately RMB51.3 million for the eight months ended 31 August 2018 to approximately RMB44.7 million for the eight months ended 31 August 2019); and (b) the increase in our total revenue-bearing GFA; and

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- (ii) the increase in our utility costs from approximately RMB8.5 million for the eight months ended 31 August 2018 to approximately RMB10.3 million for the eight months ended 31 August 2019 mainly due to our business expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB11.1 million (or approximately 20.2%) from approximately RMB54.9 million for the eight months ended 31 August 2018 to approximately RMB65.9 million for the eight months ended 31 August 2019.

Our overall gross profit margin increased from approximately 34.7% for the eight months ended 31 August 2018 to approximately 37.6% for the eight months ended 31 August 2019 primarily attributable to:

- (i) the increase in our gross profit margin for property management services from approximately 39.3% for the eight months ended 31 August 2018 to approximately 43.1% for the eight months ended 31 August 2019 mainly due to the decrease in our average cost of property management services from approximately RMB1.9 per sq.m. per month for the eight months ended 31 August 2018 to approximately RMB1.8 per sq.m. per month for the eight months ended 31 August 2019 mainly as a result of (a) economies of scale from our increased business scale mainly resulting from the stage-by-stage delivery of residential and non-residential property management projects; and (b) increased level of outsourcing of our cleaning, gardening, equipment maintenance and site security services to our subcontractors for our property management services for the eight months ended 31 August 2019 (which in turn lowering our labour costs and hence reducing our unit cost of property management services);
- (ii) the stable gross profit margin for our property developer related services of approximately 14.1% and 14.5% for the eight months ended 31 August 2018 and 2019, respectively; and
- (iii) the stable gross profit margin for our value-added services of approximately 62.0% and 62.5% for the eight months ended 31 August 2018 and 2019, respectively.

Other income

Our other income decreased from approximately RMB0.2 million for the eight months ended 31 August 2018 to approximately RMB59,000 for the eight months ended 31 August 2019, which was attributable to the decrease in our bank interest income mainly due to the decrease in our average bank balances.

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Other gains or losses

Our other gains or losses decreased from approximately RMB1.9 million for the eight months ended 31 August 2018 to approximately RMB0.8 million for the eight months ended 31 August 2019, which was primarily attributable to the decrease in our gain on fair value changes of financial assets at fair value through profit or loss from approximately RMB1.3 million for the eight months ended 31 August 2018 to nil for the eight months ended 31 August 2019 mainly due to the fact that we did not invest in any wealth management products during the eight months ended 31 August 2019.

Administrative expenses

Our administrative expenses increased from approximately RMB16.9 million for the eight months ended 31 August 2018 to approximately RMB19.3 million for the eight months ended 31 August 2019, which was primarily attributable to the increase in our staff costs from approximately RMB12.6 million for the eight months ended 31 August 2018 to approximately RMB14.7 million for the eight months ended 31 August 2019 mainly due to the increase in our average headcount of management and administrative staff from 157 staff for the eight months ended 31 August 2018 to 184 staff for the eight months ended 31 August 2019, partially offset by the decrease in our legal and professional fees from approximately RMB2.0 million for the eight months ended 31 August 2018 to approximately RMB0.7 million for the eight months ended 31 August 2019 mainly due to the fact that we incurred a significant amount of professional fees for the listing on NEEQ for the eight months ended 31 August 2018.

Selling expenses

Our selling expenses decreased from approximately RMB4.0 million for the eight months ended 31 August 2018 to approximately RMB1.4 million for the eight months ended 31 August 2019, which was primarily attributable to (i) the decrease in our staff costs from approximately RMB2.5 million for the eight months ended 31 August 2018 to approximately RMB0.7 million for the eight months ended 31 August 2019 mainly due to the fact that we incurred a significant amount of temporary staff costs in relation to the facilitation of more carnivals and promoting activities organised in our managed non-residential properties for the eight months ended 31 August 2018; and (ii) the decrease in our promotional expenses from approximately RMB1.2 million for the eight months ended 31 August 2018 to approximately RMB0.5 million for the eight months ended 31 August 2019 mainly due to the fact that we had more promotional and marketing events and activities, including festival activities and carnivals in our managed non-residential properties in Beijing to increase our brand recognition and popularity during the eight months ended 31 August 2018.

Profit before tax

As a result of recognition of our listing expenses of approximately RMB13.3 million for the eight months ended 31 August 2019, partially offset by the increase in our gross profit by approximately RMB11.1 million due to the foregoing reasons, our profit before tax decreased from approximately RMB34.5 million for the eight months ended 31 August 2018 to approximately RMB32.0 million for the eight months ended 31 August 2019.

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Income tax expense

Our income tax expense increased from approximately RMB8.2 million for the eight months ended 31 August 2018 to approximately RMB11.4 million for the eight months ended 31 August 2019, which was primarily attributable to the increase in our adjusted profit before tax (excluding our non-deductible listing expenses) from approximately RMB34.5 million for the eight months ended 31 August 2018 to approximately RMB45.4 million for the eight months ended 31 August 2019, leading to the increase in our taxable profit.

Our effective income tax rate increased from approximately 23.7% for the eight months ended 31 August 2018 to approximately 35.6% for the eight months ended 31 August 2019 primarily attributable to the recognition of our non-deductible listing expenses of approximately RMB13.3 million for the eight months ended 31 August 2019. Without taking into account our listing expenses, our adjusted effective income tax rate was approximately 25.1% for the eight months ended 31 August 2019.

Profit for the period

As a result of the foregoing, our profit for the period decreased from approximately RMB26.3 million for the eight months ended 31 August 2018 to approximately RMB20.6 million for the eight months ended 31 August 2019.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by approximately RMB59.6 million (or approximately 31.1%) from approximately RMB191.6 million in 2017 to approximately RMB251.2 million in 2018, which was primarily attributable to:

- (i) the increase in our revenue derived from property management services from approximately RMB113.2 million in 2017 to approximately RMB169.3 million in 2018 mainly due to (a) the increase in our total revenue-bearing GFA from approximately 3.7 million sq.m. as at 31 December 2017 to approximately 4.6 million sq.m. as at 31 December 2018 mainly because of (1) our continuous efforts to expand our property management portfolio to include more non-residential properties, mainly including Hongyuan Plaza* (鴻源廣場) in Tianjin; and (2) the stage-by-stage delivery of properties in our certain residential and non-residential property projects under our management during the Track Record Period, mainly including Hongkun Wood and Life Villa* (鴻坤•林語墅) and Hongkun Value Town* (鴻坤•金融谷) in Beijing, National Guest No. 1* (國賓一號) in Yichang city in Hubei province, Shinkansen* (新幹綫) in Zhuozhou city, Hebei province, Hongkun Dream Valley* (鴻坤•原鄉溪谷)/(理想嘉業) in Langfang city, Hebei province; and (b) the increase in our average property management service fee from approximately RMB2.5 per sq.m. per month in 2017 to approximately RMB3.1 per sq.m. per month in 2018 mainly because of (1) the stage-by-stage delivery of properties in Hongkun Wood and Life Villa* (鴻坤•林語墅) and National Guest No. 1* (國賓一號) which had relatively higher property management fee rates; (2) the new non-residential property project, namely Hongyuan Plaza* (鴻源廣場) which had relatively higher property management fee rates; and (3) the increase in the proportion of revenue-bearing GFA and revenue generated from non-residential properties which had a higher average property management fee rates as compared to that of residential properties;

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- (ii) the stable revenue derived from our property developer related services of approximately RMB61.3 million and RMB62.5 million in 2017 and 2018, respectively; and
- (iii) the increase in our revenue derived from value-added services from approximately RMB17.0 million in 2017 to approximately RMB19.4 million in 2018 mainly due to (a) the increase in our revenue from home living services from approximately RMB9.3 million in 2017 to approximately RMB10.4 million in 2018 mainly resulting from the increase in the number of our managed properties which provided a larger customer base; and (b) the recognition of our revenue from equipment repair and installation services of approximately RMB2.8 million in 2018 after the commencement of business of Hebei Norden (which was sold to its non-controlling shareholder, namely Guangzhou Norden in December 2018) in 2018.

Cost of services

Our cost of services increased by approximately RMB45.7 million (or approximately 37.0%) from approximately RMB123.7 million in 2017 to approximately RMB169.5 million in 2018, which was primarily attributable to:

- (i) the increase in our labour costs from approximately RMB57.2 million in 2017 to approximately RMB79.0 million in 2018 mainly due to the increase in our average headcount of on-site employees from 1,060 employees in 2017 to 1,258 employees in 2018 mainly in line with the increase in our total revenue-bearing GFA;
- (ii) the increase in our subcontracting costs from approximately RMB36.5 million in 2017 to approximately RMB52.0 million in 2018 mainly relating to cleaning, gardening, equipment maintenance and site security services as a result of our business expansion; and
- (iii) the increase in our utility costs from approximately RMB10.4 million in 2017 to approximately RMB15.0 million in 2018 mainly due to the increase in energy and resources consumption required which was primarily in line with our business growth and the increase in our total revenue-bearing GFA.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB13.9 million (or approximately 20.5%) from approximately RMB67.8 million in 2017 to approximately RMB81.7 million in 2018.

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Our overall gross profit margin decreased from approximately 35.4% in 2017 to approximately 32.5% in 2018 primarily attributable to:

- (i) the decrease in our gross profit margin for property management services from approximately 43.2% in 2017 to approximately 36.4% in 2018 mainly due to the increase in our average cost of property management services from approximately RMB1.4 per sq.m. per month in 2017 to approximately RMB2.0 per sq.m. per month in 2018, which was primarily attributable to the further upgrade and enhancement of our brand image and services quality from the second half of 2018 by means of increasing in our manpower (which in turn leading to the increase in our labour costs and subcontracting costs) in our managed properties to optimise our customers' experience and promote the living quality of property owners and residents at our managed properties;
- (ii) the stable gross profit margin for our property developer related services of approximately 14.0% and 13.4% in 2017 and 2018, respectively; and
- (iii) the stable gross profit margin for our value-added services of approximately 61.0% and 60.9% in 2017 and 2018, respectively.

Other income

Our other income decreased from approximately RMB2.5 million in 2017 to approximately RMB0.2 million in 2018, which was primarily attributable to the decrease in our interest income from loans to a fellow subsidiary from approximately RMB2.3 million in 2017 to nil in 2018 mainly due to the full repayments of loans in September 2017.

Other gains or losses

Our other gains or losses increased from approximately RMB1.1 million in 2017 to approximately RMB2.2 million in 2018, which was primarily attributable to the increase in our gain on fair value changes of financial assets at fair value through profit or loss from approximately RMB0.7 million in 2017 to approximately RMB1.6 million in 2018 mainly due to the increase in our investments in wealth management products issued by the PRC banks.

Administrative expenses

Our administrative expenses increased from approximately RMB20.2 million in 2017 to approximately RMB26.6 million in 2018, which was primarily attributable to (i) the increase in our staff costs from approximately RMB14.9 million in 2017 to approximately RMB19.6 million in 2018 mainly due to the increase in our average headcount of management and administrative staff from 131 staff in 2017 to 163 staff in 2018; and (ii) the increase in our legal and professional fees from approximately RMB1.6 million in 2017 to approximately RMB2.8 million in 2018 mainly due to the increase in our professional fees incurred for the listing on NEEQ.

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Selling expenses

Our selling expenses increased from approximately RMB2.6 million in 2017 to approximately RMB6.1 million in 2018, which was primarily attributable to (i) the increase in our staff costs from approximately RMB1.0 million in 2017 to approximately RMB2.7 million in 2018 mainly due to the increase in our temporary staff costs for the facilitation of the promotion and marketing events and activities organised in our managed non-residential properties in Beijing; and (ii) the increase in our promotional expenses from approximately RMB1.0 million in 2017 to approximately RMB2.6 million in 2018 mainly due to the increase in our promotional and marketing events and activities, including festival activities and carnivals in our managed non-residential properties in Beijing to increase our brand recognition and popularity in 2018.

Profit before tax

As a result of the foregoing reasons for the increase in our gross profit by approximately RMB13.9 million, partially offset by (i) the increase in our administrative expenses by approximately RMB6.3 million; and (ii) the increase in our selling expenses by approximately RMB3.5 million, our profit before tax increased from approximately RMB47.7 million in 2017 to approximately RMB49.5 million in 2018.

Income tax expense

Our income tax expense slightly increased from approximately RMB12.1 million in 2017 to approximately RMB12.3 million in 2018, which was primarily attributable to the increase in our profit before tax leading to the increase in our taxable profit.

Our effective income tax rate remained stable at approximately 25.4% and 24.8% in 2018, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB35.6 million in 2017 to approximately RMB37.2 million in 2018.

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Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately RMB75.1 million (or approximately 64.4%) from approximately RMB116.5 million in 2016 to approximately RMB191.6 million in 2017, which was primarily attributable to:

- (i) the increase in our revenue derived from property management services from approximately RMB73.8 million in 2016 to approximately RMB113.2 million in 2017 mainly due to (a) the increase in our total revenue-bearing GFA from approximately 2.9 million sq.m. as at 31 December 2016 to approximately 3.7 million sq.m. as at 31 December 2017 mainly because of (1) our continuous efforts to expand our property management portfolio to include more residential properties, mainly including Shinkansen* (新幹綫) in Zhuozhou city, Hebei province; and (2) the stage-by-stage delivery of properties in our certain residential and non-residential property projects under our management, mainly including Hongkun Stadium* (鴻坤 • 體育公園), Hongkun Value Town* (鴻坤 • 金融谷), Hongkun Wood and Life Villa* (鴻坤 • 林語墅), Hongkun Plaza Shopping Centre* (鴻坤廣場購物中心) in Beijing, Hongkun Original County* (鴻坤 • 原鄉郡)/(鴻苑花園) in Tianjin, Hongkun Ideal Life* (鴻坤 • 理想灣) in Zhuozhou city, Hebei province; and (b) the increase in our average property management service fee from approximately RMB2.1 per sq.m. per month in 2016 to approximately RMB2.5 per sq.m. per month in 2017 mainly because of (1) the stage-by-stage delivery of Hongkun Plaza Shopping Centre* (鴻坤廣場購物中心) which had relatively higher property management fee rates; and (2) the increase in the proportion of revenue-bearing GFA and revenue generated from non-residential properties which had a higher average property management fee rates as compared to that of residential properties;
- (ii) the increase in our revenue derived from property developer related services from approximately RMB32.9 million in 2016 to approximately RMB61.3 million in 2017 mainly due to the increase in the number of property developer related projects from 23 projects in 2016 to 31 projects in 2017 (including 28 projects obtained from Hongkun Group and three projects obtained from third party property developers) due to the rolling out of new property projects in 2017; and
- (iii) the increase in our revenue derived from value-added services from approximately RMB9.9 million in 2016 to approximately RMB17.0 million in 2017 mainly due to (a) the increase in our revenue from home living services from approximately RMB6.3 million in 2016 to approximately RMB9.3 million in 2017 mainly because of the increase in revenue from our utility tariff collection services mainly as a result of the increase in the number of property management projects and the increase in our total revenue-bearing GFA which provided a larger customer base; and (b) the increase in our revenue from leasing of common areas from approximately RMB2.9 million in 2016 to approximately RMB5.2 million in 2017 mainly resulting from the increase in the number of our managed properties.

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Cost of services

Our cost of services increased by approximately RMB45.3 million (or approximately 57.7%) from approximately RMB78.4 million in 2016 to approximately RMB123.7 million in 2017, which was primarily attributable to:

- (i) the increase in our labour costs from approximately RMB32.7 million in 2016 to approximately RMB57.2 million in 2017 mainly due to the increase in our average headcount of on-site employees from 735 employees in 2016 to 1,060 employees in 2017 mainly in line with the increase in our total revenue-bearing GFA; and
- (ii) the increase in our subcontracting costs from approximately RMB22.5 million in 2016 to approximately RMB36.5 million in 2017 mainly relating to cleaning, gardening, equipment maintenance and site security services as a result of our business expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB29.8 million (or approximately 78.2%) from approximately RMB38.1 million in 2016 to approximately RMB67.8 million in 2017.

Our overall gross profit margin increased from approximately 32.7% in 2016 to approximately 35.4% in 2017 primarily attributable to:

- (i) the increase in our gross profit margin for property management services from approximately 39.3% in 2016 to approximately 43.2% in 2017 mainly due to (a) economies of scale from our increased business scale mainly resulting from the stage-by-stage delivery of properties in the aforesaid residential and non-residential property management projects; (b) the increase in our average property management fee from approximately RMB2.1 per sq.m. per month in 2016 to approximately RMB2.5 per sq.m. per month in 2017; and (c) the decrease in our business tax and other levies following the gradual implementation of the PRC business tax reform measures which became effective in May 2016;
- (ii) the stable gross profit margin for our property developer related services of approximately 13.5% and 14.0% in 2016 and 2017, respectively; and
- (iii) the increase in our gross profit margin for value-added services from approximately 47.3% in 2016 to approximately 61.0% in 2017 mainly due to the increase in the number of our property management projects and customer base in 2017 while maintaining relatively fixed maintenance and operation costs for certain of our value-added services, including our leasing of common areas and utility tariff collection services due to the nature of these services.

Other income

Our other income decreased from approximately RMB2.8 million in 2016 to approximately RMB2.5 million in 2017, which was primarily attributable to the decrease in our interest income from loans to a fellow subsidiary from approximately RMB2.7 million in 2016 to approximately RMB2.3 million in 2017 mainly due to the recognition of full year interest income from our loan to a fellow subsidiary of RMB30.0 million in 2016 but only nine-month interest income from such loan in 2017 as a result of the full repayment of loans from such fellow subsidiary in September 2017.

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Other gains or losses

Our other gains or losses remained stable at approximately RMB1.1 million in 2016 and 2017.

Administrative expenses

Our administrative expenses increased from approximately RMB13.5 million in 2016 to approximately RMB20.2 million in 2017, which was primarily attributable to (i) the increase in our staff costs from approximately RMB9.8 million in 2016 to approximately RMB14.9 million in 2017 mainly due to the increase in our average headcount of management and administrative staff from 77 staff in 2016 to 131 staff in 2017; and (ii) the increase in our legal and professional fees from approximately RMB0.2 million in 2016 to approximately RMB1.6 million in 2017 mainly due to the increase in our professional fees incurred for the listing on NEEQ.

Selling expenses

Our selling expenses decreased from approximately RMB3.9 million in 2016 to approximately RMB2.6 million in 2017, which was primarily attributable to the decrease in our staff costs from approximately RMB2.3 million in 2016 to approximately RMB1.0 million in 2017 mainly due to the decrease in our temporary staff costs mainly because of less promotion and marketing activities organised in our managed non-residential properties in 2017.

Profit before tax

As a result of the foregoing reasons for the increase in our gross profit by approximately RMB29.8 million, partially offset by the increase in our administrative expenses by approximately RMB6.7 million, our profit before tax increased from approximately RMB24.1 million in 2016 to approximately RMB47.7 million in 2017.

Income tax expense

Our income tax expense increased from approximately RMB6.5 million in 2016 to approximately RMB12.1 million in 2017, which was primarily attributable to the increase in our profit before tax leading to the increase in our taxable profit.

Our effective income tax rate decreased from approximately 27.2% in 2016 to approximately 25.4% in 2017, which was primarily attributable to the tax effect on our unrecognised tax loss of approximately RMB0.2 million in 2016.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB17.6 million in 2016 to approximately RMB35.6 million in 2017.

DISCUSSION OF SELECTED BALANCE SHEET ITEMS

The following table includes items from our consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 31 August 2019, which have been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

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	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	1,856	2,328	2,440	2,183
Intangible assets	—	—	—	4,833
Deferred tax assets	1,319	1,174	1,359	587
Right-of-use assets	4,391	3,575	2,433	1,905
Goodwill	—	—	1,519	1,519
	<u>7,566</u>	<u>7,077</u>	<u>7,751</u>	<u>11,027</u>
Current assets				
Trade and other receivables	12,074	19,779	24,841	35,183
Financial assets at fair value through profit or loss	14,000	20,145	—	—
Amounts due from related parties	70,758	59,337	134,970	167,173
Bank balances and cash	74,548	107,698	92,750	21,387
	<u>171,380</u>	<u>206,959</u>	<u>252,561</u>	<u>223,743</u>
Current liabilities				
Trade and other payables	62,089	86,569	95,203	94,985
Contract liabilities	40,102	52,780	50,205	59,610
Lease liabilities	1,188	1,337	1,063	966
Amounts due to related parties	20,665	15,907	18,588	912
Tax liabilities	9,135	3,761	5,901	6,263
	<u>133,179</u>	<u>160,354</u>	<u>170,960</u>	<u>162,736</u>
Net current assets	<u>38,201</u>	<u>46,605</u>	<u>81,601</u>	<u>61,007</u>
Total assets less current liabilities	<u>45,767</u>	<u>53,682</u>	<u>89,352</u>	<u>72,034</u>
Non-current liability				
Lease liabilities	3,436	2,653	1,750	1,220
Net current assets	<u>42,331</u>	<u>51,029</u>	<u>87,602</u>	<u>70,814</u>
Capital and reserves				
Paid-up capital/share capital	14,000	33,000	33,000	—
Reserves	28,331	18,018	54,602	70,814
Equity attributable to owners of our Company	42,331	51,018	87,602	70,814
Non-controlling interests	—	11	—	—
Total equity	<u>42,331</u>	<u>51,029</u>	<u>87,602</u>	<u>70,814</u>

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Net current assets

The following table sets forth a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at	As at
	2016	2017	2018	31 August 2019	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current assets					
Trade and other receivables	12,074	19,779	24,841	35,183	30,442
Financial assets at fair value through profit or loss	14,000	20,145	–	–	–
Amounts due from related parties	70,758	59,337	134,970	167,173	177,970
Bank balances and cash	<u>74,548</u>	<u>107,698</u>	<u>92,750</u>	<u>21,387</u>	<u>27,860</u>
	<u>171,380</u>	<u>206,959</u>	<u>252,561</u>	<u>223,743</u>	<u>236,272</u>
Current liabilities					
Trade and other payables	62,089	86,569	95,203	94,985	103,218
Contract liabilities	40,102	52,780	50,205	59,610	60,236
Lease liabilities	1,188	1,337	1,063	966	895
Amounts due to related parties	20,665	15,907	18,588	912	–
Tax liabilities	<u>9,135</u>	<u>3,761</u>	<u>5,901</u>	<u>6,263</u>	<u>6,078</u>
	<u>133,179</u>	<u>160,354</u>	<u>170,960</u>	<u>162,736</u>	<u>170,427</u>
Net current assets	<u><u>38,201</u></u>	<u><u>46,605</u></u>	<u><u>81,601</u></u>	<u><u>61,007</u></u>	<u><u>65,845</u></u>

Our net current assets increased from approximately RMB38.2 million as at 31 December 2016 to approximately RMB46.6 million as at 31 December 2017 primarily attributable to (i) our net profit of approximately RMB35.6 million generated in 2017; and (ii) issuance of new shares of Beijing Hongkun of RMB25.0 million in 2017, partially offset by the declaration of dividends of RMB46.0 million by Beijing Hongkun, Xianghe Hongkun and Beijing Hongkun Property Management in 2017.

Our net current assets increased to approximately RMB81.6 million as at 31 December 2018 primarily attributable to our net profit of approximately RMB37.2 million generated in 2018.

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Our net current assets decreased to approximately RMB61.0 million as at 31 August 2019 primarily attributable to (i) the declaration of dividend of RMB35.5 million by Beijing Hongkun for the eight months ended 31 August 2019; and (ii) the consideration for the acquisition of Beijing Cloud Era, Beijing Hongkun Valley and Hongkun (Beijing) Business Management of RMB19.5 million during our Reorganisation, partially offset by (i) our net profit of RMB20.6 million generated for the eight months ended 31 August 2019; and (ii) the subscription of 1,645 Shares by Winz Strategy at a consideration of approximately HK\$17.0 million (equivalent to approximately RMB15.0 million).

Our net current assets increased to approximately RMB65.8 million as at 31 December 2019 primarily attributable to our net profit generated for the four months ended 31 December 2019.

Please refer to the below for further details and analysis of our current assets and current liabilities.

Property, plant and equipment

As at 31 December 2016, 2017 and 2018 and 31 August 2019, our property, plant and equipment of approximately RMB1.9 million, RMB2.3 million, RMB2.4 million and RMB2.2 million, respectively, included (i) our building for our staff quarters; and (ii) our furniture, fixtures and equipment in our office premises and management offices and sites.

Our property, plant and equipment increased from approximately RMB1.9 million as at 31 December 2016 to approximately RMB2.3 million as at 31 December 2017 primarily attributable to the additions of our property, plant and equipment of approximately RMB1.0 million mainly in relation to our office furniture and equipment, computer systems and equipment, partially offset by our depreciation of approximately RMB0.5 million charged in 2017.

Our property, plant and equipment slightly increased to approximately RMB2.4 million as at 31 December 2018 primarily attributable to the additions of our property, plant and equipment of approximately RMB0.7 million mainly in relation to our office furniture and equipment, and computer equipment, partially offset by our depreciation of approximately RMB0.6 million charged in 2018.

Our property, plant and equipment decreased to approximately RMB2.2 million as at 31 August 2019 primarily attributable to our depreciation of approximately RMB0.5 million charged for the eight months ended 31 August 2019.

Intangible assets

Our intangible assets of approximately RMB4.8 million as at 31 August 2019 represented the mobile applications, Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家 acquired from Hongkun Group in June 2019, which was initially measured at cost of acquisition of RMB5.0 million and subsequently measured at cost less accumulated amortisation (with useful life of five years) and impairment losses.

For further details of the mobile applications, Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家, please refer to “Business – Our technological initiatives” in this prospectus.

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Right-of-use assets

Our right-of-use assets represented our right to use our leased assets (i.e. office premises and staff quarters) with lease terms of over one year, which was initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses under HKFRS 16.

The decrease in our right-of-use assets from approximately RMB4.4 million as at 31 December 2016 to approximately RMB3.6 million as at 31 December 2017 and further to approximately RMB2.4 million and RMB1.9 million as at 31 December 2018 and 31 August 2019, respectively, was primarily attributable to our depreciation of right-of-use assets of approximately RMB1.5 million, RMB1.3 million and RMB0.6 million in 2017 and 2018 and for the eight months ended 31 August 2019, respectively.

For further details of the effect on the adoption of HKFRS 16, please refer to “Adoption of new and revised HKFRS – Effect on the adoption of HKFRS 16 *Leases*” in this section.

Goodwill

Our goodwill of approximately RMB1.5 million as at 31 December 2018 and 31 August 2019 was initially measured at cost, being the excess of the sum of the consideration transferred over the net of amounts of the identifiable assets acquired and the liabilities assumed arising from the acquisition of Tianjin Hongsheng.

Our goodwill acquired in business combination is allocated, at acquisition, to the cash generating unit (“CGU”) of the business of Tianjin Hongsheng that are expected to benefit from the business combination. The recoverable amounts of CGU of the business of Tianjin Hongsheng have been determined on the basis of value in use calculations which used cash flow projections based on financial forecast approved by our management covering a five-year period. The growth rate is estimated at 2% throughout the forecast period. All set of cash flows beyond the five-year period were extrapolated using a growth rate of 2%, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Our cash flow projections during the budget period for the business of Tianjin Hongsheng are based on the budgeted service revenue and expected gross profit margin during the budget period and the inflation rate in the PRC during the forecast period. Expected cash inflows, which include budgeted service revenue, gross profit margin and inflation rate have been determined based on our past performance and our management’s expectations for the market development.

Our value-in-use calculation of CGU is based on the following inputs, basis and assumptions:

(i) Revenue

Revenue is based on the existing charge rates and revenue-bearing GFA of the properties delivered.

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(ii) Discount rate

Our management considered the available market and industry data to develop the weighted average cost of capital for our value-in-use calculation. The pre-tax rate used to discount the forecast cash flow is 15% and 15%, respectively, at 31 December 2018 and 31 August 2019 for the business of Tianjin Hongsheng.

The recoverable amounts of CGU of the business of Tianjin Hongsheng Business calculated based on value-in-use method exceeded carrying value by approximately RMB7.7 million and RMB8.3 million as at 31 December 2018 and 31 August 2019, respectively.

If the pre-tax discount rate is adjusted to 20% (which is 5% higher than the original discount rate) and all other variables were held constant, the carrying amount of the CGU of the business of Tianjin Hongsheng would still exceed to its recoverable amount as at 31 December 2018 and 31 August 2019, respectively.

As a result, no impairment of goodwill was recognised during the Track Record Period pursuant to the impairment review of goodwill by us. We further considered that any reasonably possible change in any of the assumptions would not cause the recoverable amount of our goodwill below its carrying amount. Please refer to note 18 to the Accountants' Report in Appendix I to this prospectus for further details of our impairment review of goodwill.

Trade and other receivables

The following tables set forth a breakdown of our trade and other receivables as at the dates indicated and our trade receivables turnover days for the periods indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>Note 1</i>)	7,469	13,621	18,218	21,060
Less: allowance for doubtful debts/expected credit loss	<u>(635)</u>	<u>(1,234)</u>	<u>(1,705)</u>	<u>(2,165)</u>
	<u>6,834</u>	<u>12,387</u>	<u>16,513</u>	<u>18,895</u>
Other receivables:				
Deposits	170	755	775	758
Prepayments	546	1,738	1,513	2,034
Payments on behalf of residents (<i>Note 2</i>)	2,940	3,393	3,689	4,109
Advances to staff	1,104	1,523	1,890	1,918
Receivables from disposal of a subsidiary (<i>Note 3</i>)	–	–	275	–
Deferred share issue costs	–	–	–	7,371
Others	617	131	334	400
Less: allowance for doubtful debts	<u>(137)</u>	<u>(148)</u>	<u>(148)</u>	<u>(302)</u>
	<u>5,240</u>	<u>7,392</u>	<u>8,328</u>	<u>16,288</u>
Total	<u><u>12,074</u></u>	<u><u>19,779</u></u>	<u><u>24,841</u></u>	<u><u>35,183</u></u>

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	Year ended 31 December			Eight months ended 31 August
	2016	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivables turnover days <i>(Note 4)</i>	<u>34.2</u>	<u>30.0</u>	<u>33.0</u>	<u>37.1</u>

Notes:

- (1) Our trade receivables represented the outstanding balances to be received from our third party customers in respect of the provision of our property management services, property developer related services and value-added services.
- (2) Our payments on behalf of residents primarily represented the expenditures paid on behalf of property owners and residents in our managed properties mainly to the utility companies for their supply of utilities.
- (3) Our receivables from disposal of a subsidiary represented the outstanding consideration receivables from the transfer of all of our equity interest in Hebei Norden to its non-controlling shareholder, namely Guangzhou Norden.
- (4) Our trade receivables turnover days equals to the average of the opening and closing balances of our trade receivables (net of allowance for doubtful debts/expected credit loss) divided by our revenue from services provided to third party customers and multiplied by 366 days in 2016, 365 days in 2017 and 2018, and 243 days for the eight months ended 31 August 2019.

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Trade receivables

The following table sets forth a breakdown of our trade receivables by type of services as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:				
Property management services for				
– Residential properties	6,546	12,502	12,649	15,769
– Non-residential properties	923	504	2,651	3,961
	7,469	13,006	15,300	19,730
Property developer related services	–	133	1,772	967
Value-added services for				
– Residential properties	–	15	1,086	314
– Non-residential properties	–	467	60	49
	–	482	1,146	363
Total trade receivables, gross	7,469	13,621	18,218	21,060
Less: allowance for doubtful debts/ expected credit loss	(635)	(1,234)	(1,705)	(2,165)
Total trade receivables, net	<u>6,834</u>	<u>12,387</u>	<u>16,513</u>	<u>18,895</u>

Our trade receivables increased from approximately RMB6.8 million as at 31 December 2016 to approximately RMB12.4 million as at 31 December 2017 and further to approximately RMB16.5 million as at 31 December 2018, which was primarily in line with the increase in our revenue as a result of the expansion of our business operations.

Our trade receivables increased to approximately RMB18.9 million as at 31 August 2019 primarily attributable to the increase in our gross trade receivables in respect of property management services from approximately RMB15.3 million as at 31 December 2018 to approximately RMB19.7 million as at 31 August 2019 mainly due to the seasonal factor that property owners and residents tend to settle their outstanding property management fee balances towards the second half of the year, especially near the end of the year.

During the Track Record Period, our trade receivables turnover days remained stable at approximately 34.2 days, 30.0 days, 33.0 days and 37.1 days, respectively.

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The following table sets forth an ageing analysis of our trade receivables (before the allowance for doubtful debts/expected credit loss) based on date of demand notes as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	1,955	3,510	7,528	6,543
61 to 180 days	2,168	2,626	3,531	6,836
181 to 365 days	1,024	3,881	3,213	3,095
One to two years	2,116	2,835	2,952	2,828
Two to three years	206	769	561	1,136
Over three years	—	—	433	622
	<u>7,469</u>	<u>13,621</u>	<u>18,218</u>	<u>21,060</u>
Total	<u>7,469</u>	<u>13,621</u>	<u>18,218</u>	<u>21,060</u>

Our property management fees for residential property are generally charged on an annual basis whilst our property management fees for non-residential properties are generally charged on a monthly or quarterly basis. Property management fees are payable by property owners and residents in advance. We do not grant credit terms for payment of property management fees. Property management fees are due and payable by property owners upon the issuance of our payment notice, which is generally issued 15 days prior to a calendar year end.

In determining the recoverability of our trade receivables from property management services, we take into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management fee collection rate. In determining the recoverability of our trade receivables from property developer related services and value-added services, we also consider any change in the credit quality of trade receivables from the date on which the credit was initially granted up to the reporting date.

To expedite the recovery of our trade receivables, we have formulated and implemented various credit control measures, including (i) designating key personnel in our operations and finance departments to monitor the progress of collecting trade receivables; (ii) monitoring the progress of, and coordinating with our customers on, payment schedules (including home visits, issuing payment reminders and putting up payment notices); (iii) analysing trade receivable ageing and establishing monthly plans, including collection items, collection amounts and collection schedules; (iv) designating key personnel for the responsibility of collecting major trade receivables and periodically updating the trade receivable collection status; (v) evaluating material overdue payments continuously and on a case-by-case basis with reference to the customer's normal payment processing procedures, our relationship with the customers, their history of making payments and financial position; (vi) taking follow-up actions to collect overdue trade receivables, including but not limited to active communications with the customers' appropriate personnel (including delivering overdue payment notices to the relevant resident by hand and follow up with frequent payment reminders and home visits) as well as taking legal actions; and (vii) reviewing the impairment of our trade receivables at the end of the reporting period to ensure that adequate impairment are provided in accordance with HKFRSs.

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Our collection rate of property management fees from third party customers, calculated by dividing the property management fees from third party customers we actually received during the year/period by the total property management fees from third party customers payable to us accumulated during the same year/period, was approximately 93.2%, 91.4%, 91.1% and 88.5% during the Track Record Period, respectively. The relatively lower collection rate of approximately 88.5% for the eight months ended 31 August 2019 as compared to that of approximately 93.2%, 91.4% and 91.1% in 2016, 2017 and 2018, respectively, was primarily attributable to the seasonal factor that property owners and residents tend to settle their outstanding property management fee balances towards the second half of the year, especially near the end of the year. According to the CIC Report, from 2016 to 2018, the average collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region remained relatively stable. In 2018, the overall collection rate of property management fees from third party customers in the Beijing-Tianjin-Hebei Region was approximately 90%. Given that the majority of our managed properties are located in the Beijing-Tianjin-Hebei Region as at 31 August 2019, we believe that the collection rates of our property management fees from third party customers during the Track Record Period were comparable with our industry peers. In general, our trade receivables increase throughout the year and decrease towards the end of the year when property owners and residents settle their outstanding property management fee balances.

We have chosen a historical period from 2015 to 2018 as the observed historical loss rates to determine the expected credit loss rates of our trade receivables for 2018. We considered that it is not appropriate to include the collection data of our trade receivables for the eight months of 2019 to determine the expected credit loss rates of our trade receivables for the eight months ended 31 August 2019 because property owners and residents tend to settle their outstanding property management fee balances towards the second half of the year. As such, we adopted the same expected credit loss rates of our trade receivables for both 2018 and the eight months ended 31 August 2019.

As a result of the impairment review as discussed above, we recorded allowance for doubtful debts/expected credit loss on our trade receivables of approximately RMB0.6 million, RMB1.2 million, RMB1.7 million and RMB2.2 million as at 31 December 2016, 2017 and 2018 and 31 August 2019, respectively, on our consolidated statements of financial position. We did not hold any collateral over our trade receivables.

Please refer to notes 19 and 29 to the Accountants' Report in Appendix I to this prospectus for further details of the impairment assessment and credit risk of our trade receivables, respectively.

Up to the Latest Practicable Date, approximately RMB15.2 million (or approximately 72.2%) of our trade receivables (before the allowance for expected credit loss) as at 31 August 2019 were subsequently settled.

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Other receivables

Our other receivables increased from approximately RMB5.2 million as at 31 December 2016 to approximately RMB7.4 million as at 31 December 2017, which was primarily attributable to (i) the increase in our prepayments from approximately RMB0.5 million as at 31 December 2016 to approximately RMB1.7 million as at 31 December 2017 mainly due to the increase in our prepaid utility costs to our utility suppliers, including electricity and heating; and (ii) the increase in our deposits from approximately RMB0.2 million as at 31 December 2016 to approximately RMB0.8 million as at 31 December 2017 mainly due to the increase in the placement of utility deposits for our new property management projects.

Our other receivables increased to approximately RMB8.3 million as at 31 December 2018, which was mainly due to (i) the recognition of our receivables from disposal of Hebei Norden of approximately RMB0.3 million as at 31 December 2018; and (ii) the increase in our advances to staff from approximately RMB1.5 million as at 31 December 2017 to approximately RMB1.9 million as at 31 December 2018 mainly in line with our expansion of business scale.

Our other receivables increased to approximately RMB16.3 million as at 31 August 2019 primarily attributable to the recognition of our deferred share issue costs of approximately RMB7.4 million as at 31 August 2019 which will be accounted for as a deduction from our equity upon the Listing.

Up to the Latest Practicable Date, approximately RMB2.8 million (or approximately 17.2%) of our other receivables (before the allowance for doubtful debts) as at 31 August 2019 were subsequently settled/utilised.

Financial assets at fair value through profit or loss

As at 31 December 2016 and 2017, our financial assets at fair value through profit or loss amounted to approximately RMB14.0 million and RMB20.1 million, respectively, which represented our investments in wealth management products issued by the PRC financial institutions, including PRC banks and a fellow subsidiary in Parent Group with no guaranteed principals and returns, depending on the performance of the underlying financial investments or the change in the interest rates as specified in the relevant deposits placement, with a maturity period of 30 to 365 days. We ceased to invest any wealth management products in November 2018.

Our wealth management products are recognised as financial assets at fair value through profit or loss on initial recognition because they contained non-closely related embedded derivatives. The fair value of our financial assets at fair value through profit or loss was estimated by using valuation technique of discounted cash flows with key inputs based on estimated returns which were determined by reference to the change in certain interest rates quoted in the market or the performance of underlying investments as specified in the relevant deposit placements, and discounted at a rate that reflects the credit risk of various counterparties. An increase in the discount rate used might result in the significant decrease in the fair value measurement of our wealth management products and vice versa.

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In relation to the valuation of our wealth management products, our Directors adopted the following procedures based on the professional advice received, including (i) reviewing the terms of our wealth management products issued by financial institutions; (ii) reviewing the projection of future cash flows based on the expected rate of return of our wealth management products; (iii) conducting market research of similar wealth management products regarding their rates of return, default risks and credit risks of the issuers or counterparties; (iv) carefully considering all information, such as discount rates used for the valuation of the our wealth management products and possibilities under different scenarios, which require management assessments and estimates; and (iv) reviewing the calculation of our valuation and its results. Based on the above procedures, our Directors are of the view that our valuation analysis is fair and reasonable, and our wealth management products are properly measured.

For further details of the fair value measurement of our financial assets at fair value through profit or loss, including the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to fair value, please refer to note 29(c) to the Accountants' Report in Appendix I to this prospectus.

The reporting accountants of our Company have performed their audit work in accordance with Hong Kong Standard on Auditing 540 *Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures* to assess the accounting estimates used in our financial assets at fair value through profit or loss for the level 3 fair value measurement. Taking into consideration the insignificant amount of the fair value change of our financial assets at fair value through profit or loss and the audit work performed, the reporting accountants of our Company expect to issue an unqualified opinion on our Financial information as a whole for the Track Record Period.

In addition, the Sole Sponsor (i) reviewed the detailed calculation of the fair value change of our financial assets at fair value through profit or loss and the method applied and the accounting estimates used in our financial assets at fair value through profit or loss within level 3 fair value measurement, in particular the discount rates applied were fair and reasonable as compared to market rates; (ii) reviewed the relevant notes in the Accountants' Report in Appendix I to this prospectus; and (iii) discussed with the management of our Group and the reporting accountants of our Company in relation to the key basis and assumptions for the valuation of our wealth management products. The Sole Sponsor concurs with the view of our Directors and the reporting accountants of our Company that the fair value change of our financial assets at fair value through profit or loss was insignificant and did not have any material impact to our Financial Information. Having considered the work performed by our Directors and the reporting accountants of our Company, and the relevant due diligence performed as mentioned above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed on our financial assets at fair value through profit or loss.

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Amounts due from related parties

The following table sets forth a breakdown of our amounts due from related parties as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Follow subsidiaries:				
– Trade nature	3,612	13,842	77,671	60,661
– Non-trade nature	<u>67,146</u>	<u>45,495</u>	<u>57,299</u>	<u>106,512</u>
 Total	 <u>70,758</u>	 <u>59,337</u>	 <u>134,970</u>	 <u>167,173</u>

Trade nature amounts due from fellow subsidiaries

Our trade nature amounts due from fellow subsidiaries mainly represented the outstanding balances to be received from Parent Group mainly in respect of the provisions of our property management services and property developer related services.

The following tables set forth a breakdown of our trade nature amounts due from fellow subsidiaries by type of services and an ageing analysis of our trade nature amounts due from fellow subsidiaries based on date of demand notes as at the dates indicated, and our trade nature amounts due from fellow subsidiaries turnover days for the periods indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature amounts due from fellow subsidiaries:				
– Property management services	74	4,436	15,417	21,952
– Property developer related services	3,538	9,406	61,369	38,709
– Value-added services	<u>–</u>	<u>–</u>	<u>885</u>	<u>–</u>
 Total	 <u>3,612</u>	 <u>13,842</u>	 <u>77,671</u>	 <u>60,661</u>

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	As at 31 December			As at 31 August
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	3,612	10,224	18,551	14,507
61 to 180 days	–	1,905	24,968	23,360
181 to 365 days	–	1,379	29,446	13,086
One to two years	–	334	4,706	9,086
Two to three years	–	–	–	622
Total	<u><u>3,612</u></u>	<u><u>13,842</u></u>	<u><u>77,671</u></u>	<u><u>60,661</u></u>
				Eight months ended
				31 August
				2019
				<i>Days</i>
Trade nature amounts due from fellow subsidiaries turnover days (<i>Note</i>)	<u><u>82.0</u></u>	<u><u>42.7</u></u>	<u><u>183.1</u></u>	<u><u>283.3</u></u>

Note: Our trade nature amounts due from fellow subsidiaries turnover days equals to the average of the opening and closing balances of our trade nature amounts due from fellow subsidiaries divided by our revenue from services provided to Parent Group and multiplied by 366 days in 2016, 365 days in 2017 and 2018, and 243 days for the eight months ended 31 August 2019.

Our trade nature amounts due from fellow subsidiaries increased from approximately RMB3.6 million as at 31 December 2016 to approximately RMB13.8 million as at 31 December 2017 and further to approximately RMB77.7 million as at 31 December 2018, which was primarily attributable to (i) the increase in our revenue, especially from the provision for our property developer related services, generated from Parent Group as a result of the expansion of our business operations; and (ii) prolonged settlement of trade receivables by Parent Group.

Our trade nature amounts due from fellow subsidiaries decreased to approximately RMB60.7 million as at 31 August 2019, which was primarily attributable to the partial settlement of long outstanding balances by Parent Group during the eight months ended 31 August 2019.

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The increase in our trade nature amounts due from fellow subsidiaries aged over one year from approximately nil, RMB0.3 million, RMB4.7 million as at 31 December 2016, 2017 and 2018, respectively, to approximately RMB9.7 million as at 31 August 2019 was primarily attributable to (i) the increase in our long outstanding trade receivables in respect of our property developer related services for certain property developer related projects; and (ii) the prolonged settlement of our trade receivables by Parent Group. We did not actively monitor the progress of settlement of trade receivables from Parent Group during the Track Record Period because Parent Group and our Group are both under the control of our Controlling Shareholders. After the Track Record Period, we have strengthened our credit control of trade nature amounts due from fellow subsidiaries to ensure timely settlement from our fellow subsidiaries and increase our liquidity.

We generally grant a credit period of up to 30 days for the provision of our services to our fellow subsidiaries.

As at 31 December 2016 and 2017, our trade nature amounts due from fellow subsidiaries of nil and approximately RMB4.1 million were past due, respectively. We did not hold any collateral over these balances. Owing to the fact that our fellow subsidiaries are related parties of our Group and there were no history of default, we did not provide any impairment allowance on our trade nature amounts due from fellow subsidiaries.

Our trade nature amounts due from fellow subsidiaries turnover days decreased from approximately 82.0 days in 2016 to approximately 42.7 days in 2017 primarily attributable to the relatively low opening balance of amounts due from fellow subsidiaries of approximately RMB3.6 million as at 31 December 2016 mainly due to the substantial settlement of our revenue generated from Parent Group in 2016 as at 31 December 2016.

Our trade nature amounts due from fellow subsidiaries turnover days increased to approximately 183.1 days and in 2018 and further to approximately 283.3 days for the eight months ended 31 August 2019, which was mainly due to prolonged settlement of trade receivables by Parent Group.

Up to the Latest Practicable Date, approximately RMB55.1 million (or approximately 90.8%) of our trade nature amounts due from fellow subsidiaries as at 31 August 2019 were subsequently settled.

Non-trade nature amounts due from fellow subsidiaries

As at 31 December 2016, our loan receivable from a fellow subsidiary amounted to RMB30.0 million, which was unsecured, interest bearing at 6.0% per annum for January 2016 and 10.0% per annum from February to December 2016.

On 1 January 2017, we entered into a supplemental loan agreement with such fellow subsidiary to extend the repayment date of the aforesaid loan receivable to 20 September 2017 and to provide a new loan of RMB3.7 million to such fellow subsidiary. The new loan of RMB3.7 million was unsecured, interest bearing at 10.0% per annum and repayable within one year. On 20 September 2017, our total loan receivables of RMB33.7 million were fully repaid by such fellow subsidiary.

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Our other non-trade nature amounts due from fellow subsidiaries of approximately RMB67.1 million, RMB45.5 million, RMB57.3 million and RMB106.5 million as at 31 December 2016, 2017 and 2018 and 31 August 2019, respectively, were non-trade in nature, unsecured, interest-free and repayable on demand which mainly represented fund transfers between Hongkun Group and our Group, and the payments of costs and expenses incurred by Hongkun Group in respect of its property development business operations which were paid on behalf by our Group.

According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans between non-financial institutions are prohibited. The PBOC may impose on the non-compliant lender a penalty equivalent to one to five times of the income generated (being interests charged) from such lending transaction. However, according to the Provisions concerning Private Lending Cases, loans between non-financial institutions are legal if they are extended for purposes of financing production or business operations. The PRC courts will also support a lender's claim for interest in respect of such loan as long as the annual interest rate charged does not exceed 24%. Pursuant to the Notice of the Supreme People's Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (最高人民法院關於認真學習貫徹適用《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》的通知) published on 25 August 2015, the Provisions concerning Private Lending Cases apply to loans that were entered into prior to the implementation of the Provisions concerning Private Lending Cases and which are regarded as invalid under the former judicial interpretations but valid under the Provisions concerning Private Lending Cases. Pursuant to the Provisions concerning Private Lending Cases, private lending contracts concluded between legal persons or other organisations are effective and valid under the PRC law except where the contracts for the lending (i) are void under the PRC Contract Law; or (ii) fall within the scope of void lending contracts as particularly provided in the Provisions concerning Private Lending Cases; and if the interest rate provided in a private lending contract is not more than 24% per annum, the PRC courts will rule that the lender is legally entitled to such interest income. Accordingly, our non-trade amounts due from/(to) related parties which involved the lending of money do not comply with the General Lending Provisions.

All of our interest-bearing loan receivables from a fellow subsidiary were fully settled in 2017. Up to the Latest Practicable Date, we did not receive any penalties, investigation or notice from relevant competent PRC government authorities in relation to non-trade nature amounts due from/(to) related parties between us and our related parties. Our Directors confirmed that our Group will not have non-trade nature intercompany funding arrangement between us and our related parties after the Listing. On this basis, our PRC Legal Advisers are of the view that (i) such non-trade nature amounts due from/(to) related parties between us and our related parties were legally binding on the relevant parties; and (ii) the risk of us being penalised by the PBOC for the aforesaid non-trade nature amounts due from/(to) related parties is remote.

Our Directors confirmed that all outstanding non-trade amounts due from fellow subsidiaries as at 31 August 2019 will be settled before the Listing. Our Directors further confirmed that we will not have any non-trade related party balances with our related parties (including our fellow subsidiaries) after the Listing.

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Trade and other payables

The following tables set forth a breakdown of our trade and other payables as at the dates indicated and our trade payables turnover days for the periods indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables (<i>Note 1</i>)	<u>9,589</u>	<u>15,625</u>	<u>19,955</u>	<u>21,345</u>
Other payables:				
Receipts on behalf of residents (<i>Note 2</i>)	7,126	9,039	9,782	9,534
Deposits received (<i>Note 3</i>)	26,088	35,807	39,743	37,081
Payable on behalf a fellow subsidiary	4,403	4,093	397	397
Accrued staff costs	5,302	8,351	9,368	5,137
Accrued contribution to social insurance and housing provident funds	5,499	5,643	5,810	6,226
Other tax payables (<i>Note 4</i>)	2,322	3,332	4,781	4,406
Accrued expenses (<i>Note 5</i>)	1,654	4,437	5,123	4,815
Accrued share issue costs and listing expenses	–	–	–	5,933
Other payables	<u>106</u>	<u>242</u>	<u>244</u>	<u>111</u>
	<u>52,500</u>	<u>70,944</u>	<u>75,248</u>	<u>73,640</u>
Total	<u><u>62,089</u></u>	<u><u>86,569</u></u>	<u><u>95,203</u></u>	<u><u>94,985</u></u>
				Eight months ended
				31 August
	2016	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payables turnover days (<i>Note 6</i>)	<u><u>37.3</u></u>	<u><u>37.2</u></u>	<u><u>38.3</u></u>	<u><u>45.9</u></u>

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Notes:

- (1) Our trade payables represented our obligations to pay for goods or services that have been purchased in the ordinary course of business from our suppliers and subcontractors.
- (2) Our receipts on behalf of residents primarily represented our receipts on behalf of property owners and residents to settle the utilities bills from utility suppliers.
- (3) Our deposits received primarily represented our utility deposits received from property owners and residents.
- (4) Our other tax payables primarily represented our payables of VAT, business tax and other tax surcharges.
- (5) Our accrued expenses primarily represented our accruals for legal and professional fees for the listing on NEEQ and our accrued promotional expenses.
- (6) Our trade payables turnover days equals to the average of the opening and closing balances of our trade payables divided by our cost of services and multiplied by 366 days in 2016, 365 days in 2017 and 2018, and 243 days for the eight months ended 31 August 2019.

Trade payables

Our trade payables increased from approximately RMB9.6 million as at 31 December 2016 to approximately RMB15.6 million as at 31 December 2017 and further to approximately RMB20.0 million and RMB21.3 million as at 31 December 2018 and 31 August 2019, respectively, which was primarily attributable to (i) the increase in our revenue-bearing GFA; and (ii) the increase in our subcontracting of service works to third party service providers.

During the Track Record Period, our suppliers and subcontractors generally granted us credit periods up to 90 days.

Our trade payables turnover days increased from approximately 37.3 days, 37.2 days and 38.3 days in 2016, 2017 and 2018, respectively, to approximately 45.9 days for the eight months ended 31 August 2019 primarily attributable to the increase in our subcontracting costs for the eight months ended 31 August 2019 which were not yet due as at 31 August 2019.

The following table sets forth an ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	9,300	14,887	19,066	20,721
One to two years	289	568	379	329
Two to three years	–	170	379	170
Over three years	–	–	131	125
Total	9,589	15,625	19,955	21,345

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Our Directors confirmed that there had been no material defaults in payment of our trade payables during the Track Record Period.

Up to the Latest Practicable Date, approximately RMB20.4 million (or approximately 95.5%) of our trade payables as at 31 August 2019 were subsequently settled.

Other payables

Our other payables increased from approximately RMB52.5 million as at 31 December 2016 to approximately RMB70.9 million as at 31 December 2017 primarily attributable to (i) the increase in our deposits received from approximately RMB26.1 million as at 31 December 2016 to approximately RMB35.8 million as at 31 December 2017 mainly due to the increase in our utility deposits received mainly as a result of the increase in the number of our managed properties leading to the increase in our customer base; (ii) the increase in our accrued staff costs from approximately RMB5.3 million as at 31 December 2016 to approximately RMB8.4 million as at 31 December 2017 mainly due to the increase in our staff headcount and our accrued bonus; and (iii) the increase in our accrued expenses from approximately RMB1.7 million as at 31 December 2016 to approximately RMB4.4 million as at 31 December 2017 mainly due to the increase in our accruals for professional fees in relation to the listing on NEEQ.

Our other payables increased to approximately RMB75.2 million as at 31 December 2018 primarily attributable to (i) the increase in our deposits received to approximately RMB39.7 million as at 31 December 2018 mainly due to the increase in our customer base as a result of the increase in our revenue bearing GFA; (ii) the increase in our accrued staff costs to approximately RMB9.4 million as at 31 December 2018 mainly due to the increase in our staff headcount; and (iii) the increase in our other tax payables from approximately RMB3.3 million as at 31 December 2017 to approximately RMB4.8 million as at 31 December 2018 mainly due to the increase in our VAT payable as a result of our business expansion, partially offset by the decrease in our payable on behalf of a fellow subsidiary from approximately RMB4.1 million as at 31 December 2017 to approximately RMB0.4 million as at 31 December 2018 mainly due to the settlement of our payable on behalf of a fellow subsidiary as at 31 December 2017 in 2018 and we ceased to settle expenses on behalf of Parent Group during 2018.

Our other payables then remained stable at approximately RMB73.6 million as at 31 August 2019 primarily attributable to the offsetting effect of (i) the recognition of our accrued share issue costs and listing expenses of approximately RMB5.9 million as at 31 August 2019; (ii) the decrease in our accrued staff costs to approximately RMB5.1 million as at 31 August 2019 mainly due to the payments of accrued bonus as at 31 December 2018 during the eight months ended 31 August 2019; and (iii) the decrease in our deposits received from approximately RMB39.7 million as at 31 December 2018 to approximately RMB37.1 million as at 31 August 2019 mainly due to the return of deposits received to property owners and residents for our terminated property management projects, including New Metropolis* (新都薈).

Up to the Latest Practicable Date, approximately RMB31.9 million (or approximately 43.3%) of our other payables as at 31 August 2019 were subsequently settled/utilised.

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Contract liabilities

Our contract liabilities primarily represented the payments in advance from our customers for the provision of our property management services because pursuant to the property management service agreements, we usually charge a fixed amount of fees by issuing demand notes to property owners and residents, which are generally required to be paid in advance on an annual basis for residential properties and a monthly or quarterly basis for non-residential properties.

The increase in our contract liabilities from approximately RMB40.1 million as at 31 December 2016 to approximately RMB52.8 million as at 31 December 2017 was primarily attributable to the increase in the number of new Hongkun Group residential property management projects in 2017 and our residential property owners are required to pay the annual property management fees in advance before the residential properties are delivered to them by Hongkun Group.

The slight decrease in our contract liabilities to approximately RMB50.2 million as at 31 December 2018 was primarily attributable to the fact that there was a lower number of new residential property management projects in 2018 as compared to that of 2017 and certain of our customers would not pay the annual property management fees in advance in full in the second year after the delivery of residential properties.

The increase in our contract liabilities to approximately RMB59.6 million as at 31 August 2019 was primarily attributable to our efforts to request timely advance payments of property management fees from residential property owners and residents.

The following table sets forth the reconciliation from our revenue settled in advance by type of services which was first recorded in our contract liabilities to our total revenue for the periods indicated:

	Year ended 31 December			Eight months ended
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue settled in advance:				
– Property management services	68,644	103,166	148,161	102,944
– Property developer related services	10,395	1,230	1,896	705
– Value-added services	<u>367</u>	<u>760</u>	<u>2,803</u>	<u>4,209</u>
Total revenue settled in advance for the year/period	79,406	105,156	152,860	107,858
Add: Revenue recognised but settled/to be settled subsequently by customers	<u>37,096</u>	<u>86,402</u>	<u>98,317</u>	<u>67,498</u>
Total revenue for the year/period	<u><u>116,502</u></u>	<u><u>191,558</u></u>	<u><u>251,177</u></u>	<u><u>175,356</u></u>

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For details of the movements in our contract liabilities during the Track Record Period, please refer to note 23(b) to the Accountants' Report in Appendix I to this prospectus.

The proportion of our property management service fees that was settled in advance was approximately 93.0%, 91.1%, 87.5% and 84.0% of our total revenue from property management services for the Track Record Period, respectively, and the remaining portion of our property management service fees recognised as revenue for the corresponding year/period was settled/is expected to be settled subsequently by our customers. The decrease in the proportion of property management services revenue settled in advance to approximately 84.0% for the eight months ended 31 August 2019 was mainly due to the seasonal factor that property owners and residents tend to settle their outstanding property management fee balances towards the second half of the year, especially near the end of the year.

Up to the Latest Practicable Date, approximately RMB48.9 million (or approximately 82.0%) of our contract liabilities as at 31 August 2019 were subsequently utilised.

Amounts due to related parties

The following table sets forth a breakdown of our amounts due to related parties as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries	20,665	15,907	18,588	–
Immediate holding company	<u>–</u>	<u>–</u>	<u>–</u>	<u>912</u>
Total	<u>20,665</u>	<u>15,907</u>	<u>18,588</u>	<u>912</u>

Our amounts due to related parties were non-trade in nature, unsecured, interest-free and repayable on demand which mainly represented fund transfers and expenses paid on behalf of our Group.

Our Directors confirmed that all outstanding amounts due to related parties as at 31 August 2019 had been settled before the Listing.

Please refer to “Discussion of selected balance sheet items – Amounts due from related parties – Non-trade nature amounts due from fellow subsidiaries” in this section for the discussion of the restrictions on intercompany loans under the General Lending Provisions.

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LIQUIDITY AND CAPITAL RESOURCES

We financed our operations primarily through the following means, including (i) capital contribution from our Shareholders; (ii) net cash inflows from our operating activities; and (iii) advances from our related parties. Our working capital requirements mainly comprise payments for (i) our staff costs; (ii) our subcontracting costs; (iii) our utility expenses; (iv) our other costs of services; (v) our other expenses incurred in the ordinary course of our business; and (vi) our capital expenditures.

During the Track Record Period, we did not experience any liquidity shortage. We managed our liquidity risks by implementing the following liquidity management policy, including (i) maintaining adequate level of cash and cash equivalents; (ii) continuously monitoring our forecasted and actual cash flows; (iii) matching the maturity profiles of our assets and liabilities, especially our trade receivables and trade payables, to maintain the current level of trade receivables and trade payables turnover days to avoid cash flow mismatch; (iv) implementation of third party trade receivables credit control measures as disclosed in “Discussion of selected balance sheet items – Trade and other receivables – Trade receivables” in this section; and (v) strengthening the credit control of our trade nature amounts due from fellow subsidiaries to timely recover our receivables from fellow subsidiaries in order to improve our liquidity. In addition, we ceased to invest in any wealth management products in November 2018 as our Directors consider that such investment may reduce our available cash and cash equivalents to meet our payment obligations, and may also affect our operating cash flows and liquidity position.

In the future, we may need additional cash resources in the future as a result of (i) changing business conditions or other developments; and (ii) opportunities for investment, acquisition and collaborations of other similar actions. We expect that our working capital and other liquidity requirements will primarily be satisfied through a combination of (i) net cash inflows from our operating activities; and (ii) the proceeds from the Global Offering.

However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain extra banking facilities, or sell or issue equity securities, which might result in dilution to our Shareholders.

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Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Operating cash flows before movements in working capital	23,181	46,930	49,704	34,262	32,721
Changes in working capital	26,070	12,256	(40,251)	(69,432)	21,804
Income tax paid	<u>(2,527)</u>	<u>(17,357)</u>	<u>(10,353)</u>	<u>(8,177)</u>	<u>(10,255)</u>
Net cash from (used in) operating activities	46,724	41,829	(900)	(43,347)	44,270
Net cash (used in) from investing activities	(8,150)	24,623	(15,141)	(33,802)	(74,630)
Net cash from (used in) financing activities	<u>7,441</u>	<u>(33,302)</u>	<u>1,093</u>	<u>(1,806)</u>	<u>(41,034)</u>
Net increase (decrease) in cash and cash equivalents	46,015	33,150	(14,948)	(78,955)	(71,394)
Cash and cash equivalents at beginning of the year/ period	28,533	74,548	107,698	107,698	92,750
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>
Cash and cash equivalents at end of the year/period	<u><u>74,548</u></u>	<u><u>107,698</u></u>	<u><u>92,750</u></u>	<u><u>28,743</u></u>	<u><u>21,387</u></u>

In 2018, we recorded net operating cash outflow of approximately RMB0.9 million, which was primarily attributable to the prolonged settlement of trade receivables by Parent Group mainly in respect of our property developer related services leading to a strong increase in our trade nature amounts due from fellow subsidiaries from approximately RMB13.8 million as at 31 December 2017 to approximately RMB77.7 million as at 31 December 2018.

For the eight months ended 31 August 2018, we recorded net operating cash outflow of approximately RMB43.3 million, which was primarily attributable to (i) the increased use of our cash and cash equivalents for our investments in wealth management products leading the increase in financial assets at fair value through profit or loss of approximately RMB24.5 million; and (ii) the prolonged settlement of trade receivables by Parent Group mainly in respect of our property developer related services leading to the strong increase in our trade nature amounts due from fellow subsidiaries of approximately RMB41.9 million.

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Operating cash flows

During the Track Record Period, we derived our cash from operating activities principally from the receipts from the provision of our property management services, property developer related services and valued added services, while our cash used in operating activities was mainly related to the payments for our staff costs, subcontracting costs, utility costs, other costs of services, expenses relating to selling and administrative activities and income tax.

Operating cash flows reflect our profit before income tax, which were adjusted for: (i) non-cash items, mainly including our depreciation of property, plant and equipment, and right-of-use assets, and amortisation of intangible assets; (ii) the effects of changes in our working capital, which mainly comprised our trade and other receivables, trade nature amounts due from related parties, financial assets at fair value through profit or loss, trade and other payables, and trade nature amounts due to related parties; and (iii) items not related to operating activities, principally including our interest income.

In 2016, our net cash from operating activities amounted to approximately RMB46.7 million, comprising cash generated from operations of approximately RMB49.3 million, subtracted by the payment of income tax of approximately RMB2.5 million. Our cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB23.2 million and adjustments for changes in working capital, primarily including (i) the increase in trade and other receivables of approximately RMB2.0 million; (ii) the decrease in amounts due from related parties of approximately RMB10.9 million; (iii) the increase in financial assets at fair value through profit or loss of approximately RMB9.0 million; (iv) the increase in trade and other payables of approximately RMB18.3 million; and (v) the increase in contract liabilities of approximately RMB7.8 million.

In 2017, our net cash from operating activities amounted to approximately RMB41.8 million, comprising cash generated from operations of approximately RMB59.2 million, subtracted by the payment of income tax of approximately RMB17.4 million. Our cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB46.9 million and adjustments for changes in working capital, primarily including (i) the increase in trade and other receivables of approximately RMB2.8 million; (ii) the increase in amounts due from related parties of approximately RMB10.2 million; (iii) the increase in financial assets at fair value through profit or loss of approximately RMB6.1 million; (iv) the increase in trade and other payables of approximately RMB20.8 million; and (v) the increase in contract liabilities of approximately RMB10.7 million.

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In 2018, our net cash used in operating activities amounted to approximately RMB0.9 million, comprising cash generated from operations of approximately RMB9.5 million and the payment of income tax of approximately RMB10.4 million. Our cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB49.7 million and adjustments for changes in working capital, primarily including (i) the increase in trade and other receivables of approximately RMB0.8 million; (ii) the increase in amounts due from related parties of approximately RMB63.8 million; (iii) the decrease in financial assets at fair value through profit or loss of approximately RMB20.1 million; (iv) the increase in trade and other payables of approximately RMB8.9 million; and (v) the decrease in contract liabilities of approximately RMB4.6 million.

For the eight months ended 31 August 2018, our net cash used in operating activities amounted to approximately RMB43.3 million, comprising cash used in operations of approximately RMB35.2 million and the payment of income tax of approximately RMB8.2 million. Our cash used in operations comprised operating cash flows before movements in working capital of approximately RMB34.3 million and adjustments for changes in working capital, primarily including (i) the increase in trade and other receivables of approximately RMB8.1 million; (ii) the increase in amounts due from related parties of approximately RMB41.9 million; (iii) the increase in financial assets at fair value through profit or loss of approximately RMB24.5 million; and (iv) the increase in contract liabilities of approximately RMB3.7 million.

For the eight months ended 31 August 2019, our net cash from operating activities amounted to approximately RMB44.3 million, comprising cash generated from operations of approximately RMB54.5 million, subtracted by the payment of income tax of approximately RMB10.3 million. Our cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB32.7 million and adjustments for changes in working capital, primarily including (i) the increase in trade and other receivables of approximately RMB2.6 million; (ii) the decrease in amounts due from related parties of approximately RMB17.0 million; (iii) the decrease in trade and other payables of approximately RMB2.0 million; and (iv) the increase in contract liabilities of approximately RMB9.4 million.

Please refer to “Discussion of selected balance sheet items” in this section for further details and analysis of our working capital.

Investing cash flows

During the Track Record Period, our cash used in investing activities mainly consisted of advances to our related parties and purchases of intangible assets, while our cash from investing activities mainly represented repayments from our related parties and our receipts of interests.

In 2016, our net cash used in investing activities amounted to approximately RMB8.2 million, which was primarily contributed by advances to our related parties of approximately RMB73.1 million, partially offset by (i) repayments from our related parties of approximately RMB63.3 million; and (ii) our receipts of interests of approximately RMB2.8 million.

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In 2017, our net cash from investing activities amounted to approximately RMB24.6 million, which was primarily contributed by (i) repayments from our related parties of approximately RMB153.6 million; (ii) repayments of loan receivables from a fellow subsidiary of approximately RMB33.7 million; and (iii) our receipts of interests of approximately RMB2.5 million, partially offset by advances to our related parties of approximately RMB165.7 million.

In 2018, our net cash used in investing activities amounted to approximately RMB15.1 million, which was primarily contributed by advances to our related parties of approximately RMB61.1 million, partially offset by repayments from our related parties of approximately RMB49.3 million.

For the eight months ended 31 August 2018, our net cash used in investing activities amounted to approximately RMB33.8 million, which was primarily contributed by advances to our related parties of approximately RMB45.9 million, partially offset by repayments from our related parties of approximately RMB14.9 million.

For the eight months ended 31 August 2019, our net cash used in investing activities amounted to approximately RMB74.6 million, which was primarily contributed by advances to our related parties of approximately RMB270.6 million, partially offset by (i) repayments from our related parties of approximately RMB200.8 million; and (ii) purchases of intangible assets of RMB5.0 million.

Financing cash flows

During the Track Record Period, our cash from financing activities mainly consisted of advances from our related parties, and proceeds from issue of new shares, while our cash used in financing activities mainly consisted of repayments to our related parties, payment of dividends and payments to our fellow subsidiaries in relation to acquisition of subsidiaries under common control.

In 2016, our net cash from financing activities amounted to approximately RMB7.4 million, which was mainly contributed by advances from our related parties of approximately RMB15.7 million, partially offset by repayments to our related parties of approximately RMB6.9 million.

In 2017, our net cash used in financing activities amounted to approximately RMB33.3 million, which was mainly contributed by (i) repayments to our related parties of approximately RMB12.0 million; (ii) our dividend payment of RMB46.0 million; and (iii) payments to our fellow subsidiaries in relation to acquisition of subsidiaries under common control of approximately RMB6.2 million, partially offset by (i) advances from our related parties of approximately RMB7.2 million; and (ii) our proceeds from issue of new shares of a subsidiary of RMB25.0 million.

In 2018, our net cash from financing activities amounted to approximately RMB1.1 million, which was mainly contributed by advances from our related parties of approximately RMB18.5 million, partially offset by repayments to our related parties of approximately RMB15.8 million.

For the eight months ended 31 August 2018, our net cash used in financing activities amounted to approximately RMB1.8 million, which was mainly contributed by repayments to our related parties of approximately RMB15.7 million, partially offset by advances from our related parties of approximately RMB14.9 million.

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For the eight months ended 31 August 2019, our net cash used in financing activities amounted to approximately RMB41.0 million, which was mainly contributed by (i) repayments to our related parties of approximately RMB20.2 million; (ii) our dividend payment of RMB35.5 million and (iii) payments to our fellow subsidiaries in relation to acquisition of subsidiaries under common control of approximately RMB51.1 million, partially offset by (i) advances from our related parties of approximately RMB23.1 million; and (ii) proceeds from issue of shares of approximately RMB46.6 million.

Sufficiency of working capital

Taking into account the financial resources available to us, including our available cash and cash equivalents on hand, cash flows generated from our operations and the estimated proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 5% below the bottom end of the indicative Offer Price range), and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

INDEBTEDNESS

Non-trade nature amounts due to related parties

Our non-trade nature amounts due to related parties of approximately RMB20.7 million, RMB15.9 million, RMB18.6 million, RMB0.9 million and nil as at 31 December 2016, 2017 and 2018, 31 August 2019 and 31 December 2019 (being the most recent practicable date for the purpose of this indebtedness statement), respectively, were unsecured, interest-free and repayable on demand.

Lease liabilities

Our lease liabilities of approximately RMB4.6 million, RMB4.0 million, RMB2.8 million, RMB2.2 million and RMB1.8 million as at 31 December 2016, 2017 and 2018, 31 August 2019 and 31 December 2019 (being the most recent practicable date for the purpose of this indebtedness statement), respectively, primarily represented our outstanding lease payments in respect of our leases of office premises and staff quarters, which would be primarily adjusted for interest and lease payments, and the impact of lease modifications. Our lease liabilities were unguaranteed and secured by the rental deposits placed by our Group.

FINANCIAL INFORMATION

The following table sets forth the maturity profile of our lease liabilities as at the dates indicated:

	As at 31 December			As at	As at
	2016	2017	2018	31 August	31 December
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Within one year	1,188	1,337	1,063	966	895
More than one year, but not exceeding two years	1,067	1,038	839	913	922
More than two years, but not exceeding five years	<u>2,369</u>	<u>1,615</u>	<u>911</u>	<u>307</u>	<u>–</u>
Total	<u><u>4,624</u></u>	<u><u>3,990</u></u>	<u><u>2,813</u></u>	<u><u>2,186</u></u>	<u><u>1,817</u></u>

Save as disclosed in “Indebtedness” in this section, as at 31 December 2019 (being the most recent practicable date for the purpose of this indebtedness statement), and apart from intragroup liabilities, we did not have any banking facilities, outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, lease liabilities, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees on other material contingent liabilities outstanding.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not have any material external debt financing plans.

Our Directors further confirmed that there had not been any material change in our indebtedness since 31 December 2019 (being the most recent practicable date for the purpose of this indebtedness statement) and up to the Latest Practicable Date.

Debt securities

As at 31 December 2019 (being the most recent practicable date for the purpose of this indebtedness statement), we had no debt securities issued outstanding or authorised, or otherwise created but unissued.

Contingent liabilities

Save as disclosed in “Indebtedness” in this section, as at 31 December 2016, 2017 and 2018 and 31 August 2019, we did not have any significant contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

FINANCIAL INFORMATION

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred approximately RMB1.4 million, RMB1.0 million, RMB0.7 million and RMB5.2 million of capital expenditures on purchases of our property, plant and equipment and intangible assets, respectively.

We intend to fund our capital expenditures through a combination of the net proceeds receivable by us from the Global Offering and the cash flows generated from our operating activities. Save as disclosed in “Future plans and use of proceeds” in this prospectus, we have no other material planned capital expenditure in 2019 and 2020.

COMMITMENTS

As at 31 December 2016, 2017 and 2018 and 31 August 2019, we did not have any material capital commitments.

PROPERTY INTERESTS

Please refer to “Business – Our properties” in this prospectus for the further details of our leased property.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these related party transactions were conducted on normal commercial terms.

Please refer to note 30 to the Accountants’ Report in Appendix I to this prospectus for further details of our related party transactions and “Connected transactions” in this prospectus for further details of our connected transactions.

LISTING EXPENSES

Our total estimated listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB41.8 million, representing approximately 31.7% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range of HK\$1.45 per Offer Share). Among the estimated aggregate amount of our estimated listing expenses, approximately RMB25.1 million of which is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RMB16.7 million is expected to be charged to our profit or loss, of which approximately RMB13.3 million was recognised in our profit or loss for the eight months ended 31 August 2019.

FINANCIAL INFORMATION

Our Directors are of the view that and potential investors should note that our financial results in 2019 and 2020 are expected to be adversely affected by, among other things, our non-recurring estimated listing expenses. As such, our financial performance in 2019 and 2020 may not be comparable to our financial performance during the Track Record Period. In addition, our Directors would like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates/for the periods indicated:

	Year ended/ As at 31 December			Eight months ended/As at 31 August
	2016	2017	2018	2019
	Net profit margin before interest and tax	21.0%	25.1%	19.8%
Net profit margin	15.1%	18.6%	14.8%	11.8%
Current ratio	1.3	1.3	1.5	1.4
Gearing ratio	0.6	0.4	0.2	0.04
Return on assets	9.8%	16.6%	14.3%	N/A
Return on equity	41.5%	69.7%	42.5%	N/A

Net profit margin before interest and tax, and net profit margin

Our net profit margin before interest and tax is calculated based on our profit netting off our interests on lease liabilities and income tax expense divided by our revenue, multiplied by 100%.

Our net profit margin is calculated by our profit divided by our revenue, multiplied by 100%.

Our net profit margin before interest and tax, and net profit margin increased from approximately 21.0% and 15.1% in 2016, respectively, to approximately 25.1% and 18.6% in 2017, respectively, primarily attributable to the increase in our overall gross profit margin from approximately 32.7% in 2016 to approximately 35.4% in 2017.

Our net profit margin before interest and tax, and net profit margin decreased to approximately 19.8% and 14.8% in 2018, respectively, primarily attributable to (i) the decrease in our overall gross profit margin to approximately 32.5% in 2018; (ii) the increase in our selling expenses from approximately RMB2.6 million in 2017 to approximately RMB6.1 million in 2018 mainly due to the increase in our staff costs and the increase in our promotional expenses.

FINANCIAL INFORMATION

Our net profit margin before interest and tax, and net profit margin decreased to approximately 18.3% and 11.8% for the eight months ended 31 August 2019, respectively, primarily attributable to the recognition of our listing expenses of approximately RMB13.3 million for the eight months ended 31 August 2019, partially offset by the increase in our overall gross profit margin to approximately 37.6% for the eight months ended 31 August 2019.

Current ratio

Our current ratio is calculated by our current assets divided by our current liabilities.

Our current ratio remained stable at approximately 1.3 as at 31 December 2016 and 2017.

Our current ratio increased to approximately 1.5 as at 31 December 2018 primarily attributable to the rate of increase in our current assets of approximately 22.0% exceeding the rate of increase in our current liabilities of approximately 6.6% mainly due to the increase in our amounts due from fellow subsidiaries from approximately RMB59.3 million as at 31 December 2017 to approximately RMB135.0 million as at 31 December 2018.

Our current ratio decreased to approximately 1.4 as at 31 August 2019 primarily attributable to the rate of decrease in our current assets of approximately 11.4% exceeding the rate of decrease in our current liabilities of approximately 4.8% mainly due to the decrease in our bank balances and cash from approximately RMB92.8 million as at 31 December 2018 to approximately RMB21.4 million as at 31 August 2019.

Gearing ratio

Our gearing ratio is calculated by our total debts (i.e. our lease liabilities and non-trade nature amounts due to related parties) divided by our total equity.

Our gearing ratio decreased from approximately 0.6 as at 31 December 2016 to approximately 0.4 as at 31 December 2017 primarily attributable to (i) the increase in our total equity from approximately RMB42.3 million as at 31 December 2016 to approximately RMB51.0 million as at 31 December 2017 mainly due to (a) our net profit of approximately RMB35.6 million in 2017; and (b) issuance of new shares of Beijing Hongkun of RMB25.0 million in 2017, partially offset by the declaration of dividends by our subsidiaries of RMB46.0 million in 2017; and (ii) the decrease in our amounts due to fellow subsidiaries from approximately RMB20.7 million as at 31 December 2016 to approximately RMB15.9 million as at 31 December 2017.

Our gearing ratio decreased to approximately 0.2 as at 31 December 2018 primarily attributable to the rate of increase in our total equity of approximately 71.7% mainly due to our net profit of approximately RMB37.2 million in 2018 exceeding the rate of increase in our total debts of approximately 7.6%.

Our gearing ratio decreased to approximately 0.04 as at 31 August 2019 primarily attributable to (i) the decrease in our amounts due to fellow subsidiaries from approximately RMB18.6 million as at 31 December 2018 to approximately RMB0.9 million as at 31 August 2019.

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Return on assets

Our return on assets is calculated by our profit for the year divided by the closing balance of our total assets, multiplied by 100%.

Our return on assets increased from approximately 9.8% in 2016 to approximately 16.6% in 2017 primarily attributable to the increase in our net profit from approximately RMB17.6 million in 2016 to approximately RMB35.6 million in 2017 mainly due to the increase in our gross profit from approximately RMB38.1 million in 2016 to approximately RMB67.8 million in 2017.

Our return on assets decreased to approximately 14.3% in 2018 primarily attributable to the rate of increase in our total assets of approximately 21.6% exceeding the rate of increase in our net profit of approximately 4.6% mainly due to the increase in our amounts due from fellow subsidiaries from approximately RMB59.3 million as at 31 December 2017 to approximately RMB135.0 million as at 31 December 2018.

Return on equity

Our return on equity is calculated by our profit for the year divided by the closing balance of our total equity, multiplied by 100%.

Our return on equity increased from approximately 41.5% in 2016 to approximately 69.7% in 2017 primarily attributable to the increase in our net profit from approximately RMB17.6 million in 2016 to approximately RMB35.6 million in 2017 mainly due to the increase in our gross profit from approximately RMB38.1 million in 2016 to approximately RMB67.8 million in 2017.

Our return on equity decreased to approximately 42.5% in 2018 primarily attributable to the rate of increase in our total equity of approximately 71.7% exceeding the rate of increase in our net profit of approximately 4.6% mainly due to the increase in our selling expenses from approximately RMB2.6 million in 2017 to approximately RMB6.1 million in 2018 mainly due to the increase in our staff costs and the increase in our promotional expenses.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the unaudited pro forma financial information in Appendix II to this prospectus for the details of our unaudited pro forma adjusted consolidated net tangible assets.

FINANCIAL INFORMATION

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors estimate, on the bases set out in Appendix III to this prospectus, that our estimated consolidated profit attributable to owners of our Company and unaudited pro forma estimated earnings per Share for the year ended 31 December 2019 are as follows:

Estimated consolidated profit attributable to
owners of our Company for the year ended
31 December 2019 not less than RMB25.8 million

Unaudited pro forma estimated earnings per Share
for the year ended 31 December 2019 not less than RMB0.06

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on (i) the audited consolidated results of our Group for the eight months ended 31 August 2019 set out in the Accountants' Report in Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of our Group for the four months ended 31 December 2019. The estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 has taken into account expected listing expenses of approximately RMB15.8 million incurred for the year ended 31 December 2019.

The calculation of the unaudited pro forma estimated earnings per Share for the year ended 31 December 2019 is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 and on the assumptions that a total number of 400,000,000 Shares had been in issue throughout the year ended 31 December 2019, without taking into account of any Shares which (i) may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued upon exercise of the Over-allotment Option; or (ii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

MARKET RISKS

During the Track Record Period, we are principally subject to the interest rate risk, foreign currency risk, credit risk and liquidity risk. Please refer to note 29 to the Accountants' Report in Appendix I to this prospectus for further details of our risks.

DIVIDENDS AND DISTRIBUTABLE RESERVE

We declared and paid the dividends of nil, RMB46.0 million, nil and RMB35.5 million to the then shareholders for the Track Record Period, respectively. No dividend has been proposed and declared by our Group after the Track Record Period and up to the Latest Practicable Date. Our Company currently does not have any predetermined dividend payout ratio. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

FINANCIAL INFORMATION

The amount of our dividends, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors' discretion. Dividends may be paid only out of our distributable reserve as permitted under the relevant laws.

Our Company was incorporated in the Cayman Islands and is an investment holding company. In accordance with the Articles, dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. As at 31 August 2019, our Company had distributable reserve of approximately RMB32.8 million available for distribution.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Business – Effects of the COVID-19 outbreak" in this prospectus, our Directors confirmed that since 31 August 2019 and up to the date of this prospectus, there has been no material adverse change in (i) our business operations and business environment in which we are operating; and (ii) our financial or trading position or prospects. Our Directors also confirmed that there have been no events since 31 August 2019 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

CORNERSTONE INVESTOR

THE CORNERSTONE INVESTMENT

We entered into a cornerstone investment agreement dated 23 February 2020 with Successful Lotus Limited (the “**Cornerstone Investor**”) (the “**Cornerstone Investment Agreement**”), pursuant to which the Cornerstone Investor agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased with HK\$21.0 million (the “**Cornerstone Investment**”). The Cornerstone Investor is not entitled to defer settlement in payment for the subscription price. The allotment and issuance of the Offer Shares to the Cornerstone Investor will take place at the same time when closing of the Placing is to take place, and there will not be delayed delivery to the Cornerstone Investor of the Offer Shares subscribed under the Cornerstone Investment.

Assuming an Offer Price of HK\$1.25 (being the low-end of the Offer Price range after a Downward Offer Price Adjustment of approximately 5% stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 16,800,000 Shares, representing approximately (i) 16.8% of the total Offer Shares (assuming that the Over-allotment Option is not exercised); and (ii) 4.2% of the Shares in issue upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$1.32 (being the low-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 15,908,000 Shares, representing approximately (i) 15.9% of the total Offer Shares (assuming that the Over-allotment Option is not exercised); and (ii) 4.0% of the Shares in issue upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$1.45 (being the mid-point of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 14,482,000 Shares, representing approximately (i) 14.5% of the total Offer Shares (assuming that the Over-allotment Option is not exercised); and (ii) 3.6% of the Shares in issue upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$1.58 (being the high-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 13,290,000 Shares, representing approximately (i) 13.3% of the total Offer Shares (assuming that the Over-allotment Option is not exercised); and (ii) 3.3% of the Shares in issue upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

For illustration purpose, all derecognitions in this section do not take into account of Shares which may be issued upon the exercise of the options which may be granted under the Share Options Scheme.

The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial Shareholder of our Company.

CORNERSTONE INVESTOR

We consider that the Cornerstone Investment made by the Cornerstone Investor is desirable because (i) the presence of the Cornerstone Investor ensures a reasonable size of solid commitment at the beginning of the marketing period and provides confidence to the market, particularly the retail investors who may take comfort in knowing that our Company is vouched for by the Cornerstone Investor who is willing to be subject to a six-month lock-up period; and (ii) having Dr. Peter Lee Ka-kit, being a reputable person in Hong Kong who is the sole shareholder of the Cornerstone Investor would significantly raise the profile of the Listing and attract investors' interest. A stimulated demand can thereby increase the chances of favourable pricing and of the transaction successfully closing.

To the best knowledge of our Company, the Cornerstone Investor is independent of our Company, our connected persons and their respective associates, and not an existing shareholder or close associates of our Company. Pursuant to the Cornerstone Investment Agreement, the Cornerstone Investor has confirmed that it is not accustomed to take and have not taken any instructions from any core connected person of our Company, any of our Directors, chief executive of our Company, any of our existing Shareholders, or any of our subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of securities of our Company. As confirmed by the Cornerstone Investor, the Cornerstone Investment is not financed, directly or indirectly, by our Company, our subsidiaries, our Directors and close associates of any of them. There is no side agreement or arrangement between our Company and the Cornerstone Investor or any direct or indirect benefit conferred on the Cornerstone Investor by virtue of or in relation to its investment in our Company. No preferential treatment has been, nor will be, given to the Cornerstone Investor.

The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer described in "Structure of the Global Offering – Public Offer – Reallocation and clawback" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by us on or around 12 March 2020.

OUR CORNERSTONE INVESTOR

The Cornerstone Investor was incorporated under the laws of the British Virgin Islands with limited liability and is an investment holding company wholly-owned by Dr. Peter Lee Ka-kit. Dr. Peter Lee Ka-kit is the chairman and the managing director of Henderson Land Development Company Limited ("**Henderson Land**"), the shares of which are listed on the Main Board of Stock Exchange (stock code: 0012). Dr. Peter Lee Ka-kit is also the chairman of The Hong Kong and China Gas Company Limited, shares of which are listed on the Main Board of Stock Exchange (stock code: 0003). To the best of our Directors' knowledge, Henderson Land had acquired 50% interest in a property redevelopment project in Nanshan (南山), Shenzhen, Guangdong province, the PRC from Hongkun Group in 2018 for approximately RMB425 million. Hongkun Group is the co-developer of this project holding the other 50% interest. This redevelopment project was at its design and planning stage as at the Latest Practicable Date. As advised by Hongkun Group, the development of this project is scheduled to commence in the latter half of 2020 and expected to complete in 2023. Save for the above, our Directors were not aware of any dealings between Hongkun Group and Henderson Land as at the Latest Practicable Date. Subsequent to the Cornerstone Investment, Dr. Peter Lee Ka-Kit will hold less than 5% of our Shares upon completion of the Global Offering and will not be regarded as a substantial Shareholder of our Company upon Listing. Henderson Land shall remain an Independent Third Party upon Listing.

CORNERSTONE INVESTOR

DETAILS OF THE CORNERSTONE INVESTMENT

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK\$1.25 (being the low-end of the Offer Price range after a Downward Offer Price Adjustment of approximately 5% stated in this prospectus)						
Cornerstone Investor	Investment amount	Number of Offer Shares to be acquired in the Placing ⁽¹⁾	Approximate percentage of total number of Offer Shares ⁽²⁾		Approximate percentage of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme
Successful Lotus Limited	HK\$21,000,000 ⁽³⁾	16,800,000	16.8	14.6	4.2	4.0

Based on the Offer Price of HK\$1.32 (being the low-end of the Offer Price range)						
Cornerstone Investor	Investment amount	Number of Offer Shares to be acquired in the Placing ⁽¹⁾	Approximate percentage of total number of Offer Shares ⁽²⁾		Approximate percentage of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme
Successful Lotus Limited	HK\$21,000,000 ⁽³⁾	15,908,000	15.9	13.8	4.0	3.8

CORNERSTONE INVESTOR

Based on the Offer Price of HK\$1.45 (being the middle point of the Offer Price range)

Cornerstone Investor	Investment amount	Number of Offer Shares to be acquired in the Placing ⁽¹⁾	Approximate percentage of total number of Offer Shares ⁽²⁾			
			Approximate percentage of total number of Offer Shares ⁽²⁾		Approximate percentage of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme
Successful Lotus Limited	HK\$21,000,000 ⁽³⁾	14,482,000	14.5	12.6	3.6	3.5

Based on the Offer Price of HK\$1.58 (being the high-end of the Offer Price range)

Cornerstone Investor	Investment amount	Number of Offer Shares to be acquired in the Placing ⁽¹⁾	Approximate percentage of total number of Offer Shares ⁽²⁾			
			Approximate percentage of total number of Offer Shares ⁽²⁾		Approximate percentage of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account the Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme
Successful Lotus Limited	HK\$21,000,000 ⁽³⁾	13,290,000	13.3	11.6	3.3	3.2

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 2,000 Shares.
- (2) Immediately upon the completion of the Capitalisation Issue and the Global Offering.
- (3) Exclusive of the brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% payable by the Cornerstone Investor.

CORNERSTONE INVESTOR

CONDITIONS PRECEDENT AND TERMINATION

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties), and not having been terminated;
- (b) the Listing Committee having granted the approval for listing of, and permission to deal in, the Shares and such approval or permission not having been revoked; and
- (c) that the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investor and our Company under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTMENT

The Cornerstone Investor has agreed, and will procure that the Cornerstone Subsidiary (as defined below) not to, without the prior written consent of our Company and the Joint Global Coordinators, whether directly or indirectly, at any time during a period of six months following the date of commencement of dealings in the Shares on the Stock Exchange, dispose of (as defined in the Cornerstone Investment Agreement) any of the Shares subscribed for pursuant to the Cornerstone Investment Agreement and any shares or other securities of our Company which are derived from such Shares (the “**Relevant Shares**”), or any direct or indirect interest in any company or entity holding any of the Relevant Shares.

The Cornerstone Investor may transfer the Relevant Shares subscribed under the Cornerstone Investment Agreement to its direct or indirect subsidiary (the “**Cornerstone Subsidiary**”), provided that the Cornerstone Subsidiary undertakes to abide by the restrictions on disposal imposed on the Cornerstone Investor under the Cornerstone Investment Agreement.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND BUSINESS STRATEGIES

Please refer to “Business – Our business strategies” in this prospectus for further details of our business objectives and strategies.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.45 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$99.0 million. We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$64.4 million, representing approximately 65.0% of our net proceeds from the Global Offering, will be used for the expansion of our geographic presence and scale of operations in the PRC. We plan to achieve this through (a) the strategic acquisitions of the entire interest of quality property management companies that provide property management services in other parts of the PRC beyond our geographic reach during the Track Record Period; and (b) establishing new subsidiaries or opening new branches locally. We intend to establish about 11 new subsidiaries or branches and acquire at least two property management service companies before 2021. It is contemplated that each new subsidiary or branch would initially consist of at least two managing staff who will be responsible for business development. Additional staff, in particular those directly engage in the provision of property management services, will be hired as and when we have put in place the operations. The recruitment plan will be further determined by the actual scope and scale of services to be rendered under the new service agreements between us and the new customers. As at the Latest Practicable Date, we had identified at least five cities in the PRC for our future expansion. Our key criteria in evaluating our potential acquisition targets other than their geographical location include (a) the historical performance of the target company; (b) the availability and type of potential customers; (c) the target company’s size and scale of operation in terms of revenue-bearing GFA; and (d) key financial indicators and profitability of the target company. In determining the amount of proceeds from the Global Offering for the acquisitions, we have taken into account the following factors: (a) the expected return of the target company; (b) the price-to-earnings ratio of comparable PRC property management companies within the region; and (c) the revenue-bearing GFA by the target company. To substantiate our expansion plan and to optimise the expected return, we have set the following criterion on our target companies for acquisition with specific indicating figures which form the basis for our estimation of the total purchase price and in turn the amount of proceeds from the Global Offering for the acquisitions:
 - (a) the target companies in our identified cities are expected to manage a total of approximately five million sq.m., among which at least 70% will be revenue-bearing GFA;
 - (b) the average property management fee that we expect to charge for provision of property management services in those identified cities will be approximately RMB2 per sq.m. per month;

FUTURE PLANS AND USE OF PROCEEDS

- (c) the management fee collection rate will be at least 85%;
- (d) each target company shall have a net profit margin of approximately 10% or higher; and
- (e) the price-to-earnings ratio of each target company should be approximately eight times, which is in line with the price-to-earnings ratio of comparable private companies in the PRC which engage in the provision of property management services in the PRC.

Our Directors consider that as compared to establishing branches and subsidiaries, the benefits of expanding our geographic presence by way of strategic acquisitions are that we can efficiently tap into new local markets and expand our market presence within a relatively shorter timeframe by leveraging the existing customer base and other resources of the local property management companies in our targeted areas, as well as utilise their industry knowledge of the local market. If no suitable acquisition target is identified in the foreseeable future, we would proceed to establish branches or subsidiaries in the selected cities first. The establishment of branches or subsidiaries and acquisition of local property management service companies are means of achieving our expansion plan, and they are by no means mutually exclusive.

As at the Latest Practicable Date, we had not yet identified any potential target. Please refer to “Business – Our business strategies – Expand our geographic presence and scale of operations to broaden our revenue sources” in this prospectus for details;

- (ii) approximately HK\$12.9 million, representing approximately 13.0% of our net proceeds from the Global Offering, will be used to develop and enhance our information system and technological initiatives, in order to maximise our cost and operational efficiency and service quality, amongst which:
 - (a) approximately HK\$2.4 million, representing approximately 2.4% of the net proceeds will be used for expanding the functions of our mobile applications Hongkunjui* 鴻坤薈 and H-Butler* 鴻管家. We plan to continue to develop Hongkunjui* 鴻坤薈 as our one-stop online service platform and expand the scope of functions that we may offer to property owners and residents of our managed properties. For example, we plan to expand the electronic front-door key function of Hongkunjui* 鴻坤薈 to allow owners or residents to access the whole community under our management, including individual entrances within the community. Furthermore, we plan to introduce a new function where property owners and residents can remotely open their property’s front door for visitors. We visualise Hongkunjui 鴻坤薈* as a platform for the development and dissipation of new value-added services within our managed properties, whereas H-Butler* 鴻管家 will serve as the key supporting tool for our staff in carrying out their daily functions. The purpose of enhancing our mobile applications Hongkunjui* 鴻坤薈 and H-Butler* 鴻管家 is to facilitate and enhance the effective and efficient management of our core business operations. We believe that an effective and efficient management not only increases our level of service and competitiveness, it also greatly reduces our reliance on labour for carrying out certain aspects of the operations, for instance, provision of customer services and collection of service fees and thereby increases our cost efficiency. Please refer to “Business – Our business strategies – Further develop and enhance our information systems and technological initiatives to maximise our cost and operational efficiency and optimise our customer service” in this prospectus for details;

FUTURE PLANS AND USE OF PROCEEDS

- (b) approximately HK\$4.5 million, representing approximately 4.5% of the net proceeds will be used for expanding our new automated carpark management system in some of our managed residential properties. Please refer to “Business – Our technological initiatives – Automation and smart solution” in this prospectus for details regarding the automated carpark management system; and
- (c) approximately HK\$6.0 million, representing approximately 6.1% of the net proceeds will be used for developing a centralised smart solution platform, where we plan to integrate all public facilities to be monitored and controlled through this platform, maximising service efficiency. Through analysing the meta-data gathered through this platform will allow us to continuously adapt to the ever changing demands of property owners and residents. Please refer to “Business – Our technological initiatives – Automation and smart solution” in this prospectus for details;
- (iii) approximately HK\$9.9 million, representing approximately 10.0% of our net proceeds from the Global Offering, will be used for expanding our value-added services, such as group procurement services, travel agency services, etc. We plan to allocate and renovate selected areas within our managed property to serve as a venue for community-related value-added services providers to conduct their services, for example, creating special drop-off and collection points for group procurement services. We may also cooperate with other value-added services providers such as home decorators, where owners and residents can purchase their desired goods and services from the service providers online through Hongkunhui* 鴻坤薈. We believe the expansion of our value-added services can foster a sense of community among property owners and residents of our managed properties, creating an enjoyable living environment through enhancing the user experience of property owners and residents, securing their loyalty and ultimately promoting our reputation as a caring and quality property management services provider;
- (iv) approximately HK\$2.0 million, representing approximately 2.0% of our net proceeds from the Global Offering, will be used for staff development. We plan to organise and develop new online training tools and resources to provide systematic training and promotion programme within our ranks, with an aim to continually strengthen and equip our staff with up-to-date knowledge and skills necessary to the smooth delivery of the ever-diversifying types of services introduced or to be introduced by us to facilitate the comfort living of property owners and residents; and
- (v) approximately HK\$9.8 million, representing approximately 10.0% of our net proceeds from the Global Offering, will be used for general corporate purpose and our working capital.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK\$11.4 million, respectively.

Assuming that the Over-allotment Option is exercised in full, we estimate that the 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\$132.9 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.58 per Offer Share; (ii) HK\$118.2 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.45 per Offer Share; or (iii) HK\$103.4 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$1.32 per Offer Share.

If we make a Downward Offer Price Adjustment to set the Offer Price at HK\$1.25 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced to approximately HK\$79.0 million.

The net proceeds will be used in the same proportions as disclosed above irrespective of (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range (or the downward adjusted Offer Price after making a Downward Offer Price Adjustment); and (ii) whether the Over-allotment Option is exercised. To the extent our net proceeds are either more or less than expected, we will continue to use the net proceeds in the same proportions as disclosed above.

If there is any material change to the use of proceeds as disclosed above after the listing, we will make the appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong or the PRC.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

In relation to the intended application of the net proceeds described in (i), (ii), (iii) and (iv) above in “Use of proceeds” in this section, the following table sets out the intended amount, nature and timing of our implementation plan:

From 1 January 2020 to 31 December 2020

Business strategy	Implementation plan	Use of net proceeds <i>HK\$' million (approximate)</i>
Expansion of our geographic presence and scale of operations in the PRC	Establishing new branches/ subsidiaries	1.9
	Acquisition of target companies	59.4
Develop and enhance our information system and technological initiatives	Expanding the functions of our mobile applications Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家	2.3
	Expanding our new automated carpark management system to other managed properties	4.5
	Developing a centralised smart solution platform and integration	6.1
	Renovating venues for community-related value-added services	2.5
Expanding our value-added services	Setting up in-house technician team	1.3
	Cooperation with other value-added services providers	0.9
	Devising and organising various staff training programmes	2.0
Total		80.9

FUTURE PLANS AND USE OF PROCEEDS

From 1 January 2021 to 31 December 2021

Business strategy	Implementation plan	Use of net proceeds <i>HK\$' million</i> <i>(approximate)</i>
Expansion of our geographic presence and scale of operations in the PRC	Establishing new branches/subsidiaries	3.1
Expanding our value-added services	Renovating venues for community-related value-added services	3.0
	Setting up in-house technician team	1.3
	Cooperation with other value-added services providers	0.9
Total		<hr/> <hr/> 8.3

REASONS AND BENEFITS FOR THE LISTING

Our Directors consider that the Listing will provide the following benefits to our Group:

- (a) the Listing will broaden our Group's shareholder base, strengthen our capital base and provide a sustainable fund raising platform for us to raise further capital by issuing equity or debt securities in the future;
- (b) the proceeds from the Global Offering will facilitate the implementation of our business strategies and strengthen our cash flow position which in turn will enable us to enhance our operational capacity and empower us to undertake projects of a larger scale in the future;
- (c) the Listing will help to elevate the profile of our Group, increase our recognition and raise our visibility within the PRC property management market in general, which would help to generate more business opportunities, as well as provide our suppliers and customers with greater security when engaging in business with us, as a listed company is subject to stringent regulatory compliance, announcements, financial disclosure and corporate governance;
- (d) the Listing will increase the level of transparency of our Group, which our Directors believe will improve our credit position and help us in obtaining credit lines with banks and on more favourable terms;
- (e) the Listing will enhance the market reputation and brand awareness of our Group and could enhance our image with our customers and suppliers and attract potential customers and suppliers who are more willing to establish business relationships with listed companies. Our Directors believe that the listing status will assist us in securing new projects;

FUTURE PLANS AND USE OF PROCEEDS

- (f) the listing status will help our Group raise staff morale and confidence in our Group, which would improve our ability to attract, recruit, retain and motivate experienced and qualified staff; and
- (g) the Listing will enable our Group to offer equity-based incentive programmes involving publicly tradable shares (such as a share option scheme) to our staff that provides a more direct correlation between their performance and our business results, and better position our staff to increase the intrinsic value of our Shares, which is closely aligned with the objective of creating value for our Shareholders.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
Haitong International Securities Company Limited
Alliance Capital Partners Limited
China Tonghai Securities Limited
CMB International Capital Limited
AMTD Global Markets Limited
China Everbright Securities (HK) Limited
Futu Securities International (Hong Kong) Limited
Glory Sun Securities Limited
Realord Asia Pacific Securities Limited
Alpha International Securities (HONG KONG) Limited
CRIC Securities Company Limited
Maxa Capital Limited

PLACING UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
Haitong International Securities Company Limited
Alliance Capital Partners Limited
China Tonghai Securities Limited
CMB International Capital Limited
AMTD Global Markets Limited
China Everbright Securities (HK) Limited
Futu Securities International (Hong Kong) Limited
Glory Sun Securities Limited
Realord Asia Pacific Securities Limited

UNDERWRITING

Alpha International Securities (HONG KONG) Limited

CRIC Securities Company Limited

Maxa Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares to be offered as mentioned herein (including the additional Shares to be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Public Offer Underwriting Agreement having been duly executed and delivered and having become unconditional in accordance with its terms, the Public Offer Underwriters have agreed, severally, to subscribe or procure subscribers for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, among other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its own terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination by Huatai Financial (for itself and on behalf of the Public Offer Underwriters) with immediate effect by notice, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law, statute, ordinance, rule, guidelines, regulation, opinion, notice, circular, order, judgement, decree or ruling of any governmental authority (“**Laws**”) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of or affecting the Cayman Islands, the BVI, Hong Kong, the PRC or any other relevant jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**“ and individually, a “**Relevant Jurisdiction**“);
 - (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any or representing any change or development involving a prospective change in, local, national or international financial, political, military, industrial, legal, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction;
 - (iii) the imposition or declaration of any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the New York Stock Exchange, the Nasdaq National Market, the Stock Exchange, the SGX-ST, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any Relevant Jurisdiction;
 - (iv) any change or development or event occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any Relevant Jurisdiction;
 - (v) any change or development or event occurs involving a prospective change in the financial or operational condition or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order for suspension of business by any governmental authority;

UNDERWRITING

- (vi) any change or prospective change or a materialisation of any of the risks set out in “Risk factors” in this prospectus;
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any Relevant Jurisdiction;
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any Relevant Jurisdiction, or the declaration by any Relevant Jurisdiction of a national emergency or war;
- (ix) any event of force majeure or beyond the control of the Public Offer Underwriters, including without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, tsunami, volcanic eruption, ice-storm, explosion, outbreak of disease or epidemic, acts of government, labour dispute, strike or lock-out involving directly or indirectly any Relevant Jurisdiction;
- (x) any imposition of any economic sanctions, in whatever form, directly or indirectly, by any Relevant Jurisdiction, or on any Relevant Jurisdiction, or against any member of our Group;
- (xi) an executive Director being charged or indicted or retained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship or taking part in the management of a company, or the commencement by any governmental authority of any investigation or other action against any executive Director in his or her capacity as such or an announcement by any governmental authority that it intends to take any such actions;
- (xii) the Chairman vacating her office in circumstances where the operations of our Group will be materially and may, in the sole and absolute opinion of Huatai Financial (for itself and on behalf of the Public Offer Underwriters), be adversely affected;
- (xiii) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules, the Articles of Association, the Companies (WUMP) Ordinance, the Listing Rules, the SFO or any other applicable Laws by any member of our Group, our Controlling Shareholders, or our executive Directors;
- (xiv) the commencement by any judicial, political, governmental or regulatory body or organisation of any investigation, claim, proceeding or other action, or announcing an intention to investigate or take such action, against any executive Director, any Controlling Shareholder or any member of our Group;
- (xv) any litigation, or claim, or investigation, or action, being announced, threatened, or instigated against any member of our Group, any Controlling Shareholder or any executive Director; or

UNDERWRITING

(xvi) any contravention by any member of our Group of the Companies Ordinance, the Companies (WUMP) Ordinance, the Listing Rules or applicable Laws;

which, in each case or in the aggregate, in the sole and absolute opinion of Huatai Financial (for itself and on behalf of the Public Offer Underwriters):

- (A) is or may be or is likely to have a material adverse effect on, or prejudicially affect, the business or financial or operational condition or prospects of our Company or our Group, or to any present or prospective shareholder of our Company in his/her/its capacity as such;
 - (B) has or might have or is likely to have a material adverse effect on the success of the Public Offer, the Placing or the Global Offering, or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (C) makes or will or is likely to make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Public Offer, the Placing or the Global Offering, or a material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing or the Global Offering to be performed or implemented in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of Huatai Financial:
- (i) any breach of any of the warranties, representations, obligations or undertakings given by or imposed upon our Company, our Controlling Shareholders and our executive Directors in the Public Offer Underwriting Agreement and the Placing Underwriting Agreement or any matter or event showing any of such warranties, representations, obligations or undertakings to be untrue, inaccurate or misleading or having been breached in any respect when given or repeated;
 - (ii) any breach on the part of our Company, any of our Controlling Shareholders or any of our executive Directors of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement;
 - (iii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom;

UNDERWRITING

- (iv) that any statement contained in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) considered by Huatai Financial (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become untrue, or incorrect in any material respect, or misleading or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice, or other offering documents or announcements (including any supplement or amendment thereto) considered by Huatai Financial (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering is not, in all respect, fair and honest and based on reasonable assumption;
- (v) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of any member of our Group or any of our Controlling Shareholders or any of our executive Directors pursuant to the indemnities referred to in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement;
- (vi) any valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole;
- (vii) that an order is made or a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group 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 our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group. For the purpose of this paragraph, any member of our Group refers to such member where the value of its total assets, profits or revenue represents 5% or more under any of the percentage ratios defined under Rule 14.09 of the Listing Rules;
- (viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued pursuant to the exercise of Over-allotment Option) to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) revoked or withheld;
- (ix) that our Company withdraws any of the offer documents issued in connection with the Global Offering (and/or any other documents used in connection with the contemplated subscription of the Offer Shares), collectively, the (“**Offer Documents**”) or the Global Offering;
- (x) that any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;

UNDERWRITING

- (xi) other than with the approval of the Sole Sponsor and Huatai Financial, the issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (WUMP) Ordinance, the Listing Rules, the SFO or any other applicable Laws, or any requirement or request of the Stock Exchange and/or the SFC; or
- (xii) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting, issuing or selling our Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering,

then Huatai Financial may, and upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to: (i) the Global Offering (including the Over-allotment Option); (ii) the Share Option Scheme; (iii) any capitalisation issue, capital reduction or consolidation or sub-division of Shares; and (iv) the circumstances permitted pursuant to Rule 10.08 of the Listing Rules, we will not, within six months from the Listing Date, issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange that except pursuant to: (i) the Global Offering (including the Over-allotment Option); and (ii) the Share Option Scheme, he/she/it will not and shall procure that the relevant registered holder(s) of our Shares, any associates or companies controlled by him/her/it, any nominees or trustees holding our Shares in trust for him/her/it (as the case may be), will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company (except pursuant to any security (including a charge or a pledge) in favour of an authorised institution for a bona fide commercial loan) in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or

UNDERWRITING

- (b) in the period of a further six months commencing on the date on which the First Six-Month Period expires (“**Second Lock-up Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) above, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that during the First Lock-up Period and Second Lock-up Period, he/she/it shall:

- (a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Capitalisation Issue, the Global Offering (including the Over-allotment Option), the grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme or with the prior written consent of Huatai Financial (for itself and on behalf of the Public Offer Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules, we will not, at any time during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or other securities, or any shares or other securities of such other member of our Group, or any interest therein;

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share capital or other securities, or any of the share capital or other securities of any other member of our Group, or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution;
- (c) enter into any of the transactions described in (a) or (b) above with the same economic effect; or
- (d) agree or contract to, or publicly announce any intention to enter into any of the transactions described in (a), (b) or (c) above,

in each case, whether any of such transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Capitalisation Issue, the Global Offering (including the Over-allotment Option) or the grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, without the prior written consent of Huatai Financial (for itself and on behalf of the Public Offer Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

- (a) during the First Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not:
 - (i) offer, accept subscription for, pledge, mortgage, charge (other than any pledge, mortgage or change of the issued share capital of our Company in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, lend, assign, contract to sell, any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale assign or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any Shares, share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such Shares, share or debt capital or other securities or any interest therein whether now owned or hereinafter acquired, owned directly by him/her/it (including holding as a custodian) or with respect to which he/she/it has a beneficial ownership (collectively the “**Lock-up Securities**”), or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such Lock-up Securities or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any such transaction is to be settled by delivery of the Lock-up Securities, in cash or otherwise;

- (b) at any time in the period of six months immediately following the expiry of the First Six-month Period (“**Second Six-month Period**”), he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it will cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/she/it or the relevant registered holder(s) or his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it enters into any such transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, he/she/it will take all reasonable steps to ensure that he/she/it or the relevant registered holder(s) or his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it will not create a disorderly or false market for the securities of our Company;
- (d) each of our Controlling Shareholders further jointly and severally undertakes to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-month Period, he/she/it will:
 - (i) when he/she/it pledges or charges any Shares, share capital or other securities of our Company including but not limited to rights as to voting, dividend or distribution in the securities of our Company, in respect of which he/she/it is the beneficial owner, immediately inform the Sole Sponsor, the Joint Global Coordinators and our Company and, if required under the Listing Rules, the Stock Exchange in writing of such pledge or charge and the number of Shares or other securities of our Company, and the nature of interest, so pledged or charged; and

UNDERWRITING

- (ii) if and when he/she/it receives any indication, either verbal or written, from any pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company or interests in or rights attaching to the securities of our Company, will be sold, transferred or disposed of, immediately inform our Company the Sole Sponsor and the Joint Global Coordinators and, if required under the Listing Rules, the Stock Exchange of any such indication.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach of the Public Offer Underwriting Agreement by our Company, our Controlling Shareholders or our executive Directors.

The Placing

In connection with the Placing, it is expected that our Company, our executive Directors and our Controlling Shareholders, will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters.

Under the Placing Underwriting Agreement, subject to the conditions set out therein, the Placing Underwriters are expected to severally agree to purchase or procure purchasers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Global Offering will not proceed.

We expect to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Stabilising Manager (on behalf of the Placing Underwriters), at any time from the date of the Placing Underwriting Agreement until the 30th day after the last date for lodging of applications under the Public Offer, to require us to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the Placing to cover over-allocations, if any, in the Placing.

Our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Placing Underwriting Agreement and any breach of the Placing Underwriting Agreement by our Company, our Controlling Shareholders or our executive Directors.

UNDERWRITING

Underwriting commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commission. In addition, we agree to pay a discretionary incentive fee in such amount and to such party/parties as shall be determined between our Company and Huatai Financial. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters (but not the Public Offer Underwriters).

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$45.0 million in total (based on the Offer Price of HK\$1.45, being the mid-point of the indicative Offer Price range between HK\$1.32 and HK\$1.58, and assuming the Downward Offer Price Adjustment and the Over-allotment Option are not exercised) and will be payable by us.

Sole Sponsor's and Underwriters' interests in our Company

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set out under "Underwriting commissions and expenses" in this section.

Save as disclosed above, none of the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, the Joint Lead Managers and the Underwriters are legally or beneficially interested in any shares of our subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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 OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer which forms part of the Global Offering. Alliance Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange. Huatai Financial, Haitong International, Alliance Capital and Tonghai Securities are the Joint Global Coordinators; Huatai Financial, Haitong International, Alliance Capital, Tonghai Securities, CMBI, AMTD, China Everbright, Futu Securities, Glory Sun and Realord Securities are the Joint Bookrunners; and Huatai Financial, Haitong International, Alliance Capital, Tonghai Securities, CMBI, AMTD, China Everbright, Futu Securities, Glory Sun, Realord Securities, Alpha Securities, CRIC Securities and Maxa Capital are the Joint Lead Managers of the Global Offering.

The Global Offering initially comprises:

- (a) the Public Offer of 10,000,000 Offer Shares (subject to reallocation on the bases set out in “Public Offer – Reallocation” in this section below) in Hong Kong as described in “Public Offer” in this section below; and
- (b) the Placing of 90,000,000 Offer Shares (subject to reallocation on the bases set out in “Public Offer – Reallocation” in this section below and the Over-allotment Option as set out in “Over-allotment Option and Stock Borrowing Agreement” in this section below) outside the United States in reliance on Regulation S.

Investors may either (a) apply for Offer Shares under the Public Offer; or (b) apply for or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

Reasonable steps will be taken to identify and reject (a) applications in the Public Offer from investors who have applied for Offer Shares under the Placing; and (b) applications or indications of interest in the Placing from investors who have applied for Public Offer Shares under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States, in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The number of Offer Shares to be offered under the Public Offer and Placing may be subject to reallocation and, in the case of the Placing only, the Over-allotment Option as set out in “Over-allotment Option and Stock Borrowing Agreement” in this section below.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on, among other things:

STRUCTURE OF THE GLOBAL OFFERING

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by Huatai Financial (for itself and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between Huatai Financial (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 6 March 2020 and in any event not later than Monday, 9 March 2020.

If, for any reason, the Offer Price is not agreed between Huatai Financial (for itself and on behalf of the Underwriters) and our Company by Monday, 9 March 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Public Offer on the next business day following such lapse: (a) in the South China Morning Post (in English); (b) in the Hong Kong Economic Times (in Chinese); and (c) on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hongkunjwuye.com. In the event of such lapse, all application monies will be returned, without interest, on the terms set out in "How to apply for Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time).

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Thursday, 12 March 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, 13 March 2020 provided that (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of shares certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

The Public Offer is fully underwritten by the Public Offer Underwriters on a several basis under the terms of the Public Offer Underwriting Agreement and is subject to Huatai Financial (for itself and on behalf of the Underwriters) and our Company, agreeing on the Offer Price. The Public Offer and the Placing are subject to the conditions set out in “Conditions of the Global Offering” in this section. The Public Offer Underwriting Agreement and the Placing Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 10,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Public Offer and the Placing, the number of Public Offer Shares will represent 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue. Completion of the Public Offer is subject to the conditions set out in “Conditions of the Global Offering” in this section above. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and individual investors.

Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Assuming that the Over-allotment Option is not exercised, the total number of Shares available under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, and is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B.

STRUCTURE OF THE GLOBAL OFFERING

The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants can only apply for Public Offer Shares from either pool A or pool B but not from both pools and can only receive Public Offer Shares from either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,000,000 Public Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed and:
 - (i) if the Public Offer Shares are undersubscribed, Huatai Financial has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as Huatai Financial deems appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 20,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering.
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe 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 Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$1.32 per Offer Share) or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made, according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

Applications

Huatai Financial (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to Huatai Financial so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the 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 (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.58 per Offer Share in addition to any brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$3,191.85 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in "Price determination of the Global Offering" in this section below, is less than the maximum price of HK\$1.58 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to "How to apply for Public Offer Shares" in this prospectus for further details.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

PLACING

The Placing is expected to be fully underwritten by the Placing Underwriters on a several basis. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date.

Number of Offer Shares offered

The number of Offer Shares to be initially offered under the Placing will be 90,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the number of Placing Shares will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The Placing is subject to the same conditions set out in "Conditions of the Global Offering" in this section above.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The Placing Shares will be allocated in accordance with the book-building process described in “Price determination of the Global Offering” in this section below, and is based on several factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

Huatai Financial (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to Huatai Financial so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

OVER-ALLOTMENT OPTION AND STOCK BORROWING AGREEMENT

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Placing Underwriters exercisable at the sole discretion of the Stabilising Manager (on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Stabilising Manager (on behalf of the Placing Underwriters) has the right, exercisable at anytime from the date of the Placing Underwriting Agreement until 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 15,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Placing to cover over-allocation in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company’s enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

In order to facilitate the settlement of over-allocations under the Placing, the Stabilising Manager (or any person acting for it) may, at its option, cover such over-allocations by borrowing Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

The Stabilising Manager will enter into the Stock Borrowing Agreement with Ascendor Futur, our Controlling Shareholder, whereby the Stabilising Manager may borrow Shares from Ascendor Futur on the following conditions:

- (a) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares to be borrowed from Ascendor Futur will be limited to 15,000,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from Ascendor Futur must be returned to it or its nominees (as the case may be) no later than the third business day following the earlier of:
 - (i) the last day on which the Over-allotment Option may be exercised;
 - (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or
 - (iii) such earlier time as may be agreed in writing between Ascendor Futur and the Stabilising Manager;
- (d) the stock borrowing arrangement will be carried out in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to Ascendor Futur by the Stabilising Manager in relation to such stock borrowing arrangement.

The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price will be fixed on the Price Determination Date, which is expected to be on or around Friday, 6 March 2020, and in any event not later than Monday, 9 March 2020, by agreement between Huatai Financial (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK\$1.58 per Offer Share and is expected to be not less than HK\$1.32 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK\$1.58 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,191.85 for one board lot of 2,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the expected Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators will solicit from prospective investors indications of interest in acquiring the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Huatai Financial (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, determine the final Offer Price to be no more than 5% below the bottom end of the indicative Offer Price range, at any time on or prior to the expected Price Determination Date. In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, 12 March 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Shares available under the Public Offer, are expected to be announced on Thursday, 12 March 2020 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.58 for each Public Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$1.58, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applicants.

If, for any reason Huatai Financial (for itself and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Monday, 9 March 2020, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

REDUCTION OF THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE

Huatai Financial (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, we will, as soon as practicable and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer following the decision to make such reduction, publish notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range: (a) in the South China Morning Post (in English); (b) in the Hong Kong Economic Times (in Chinese); and (c) on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hongkunjwuye.com. Upon the issuance of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by Huatai Financial (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and Huatai Financial (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus. Likewise, in the event of a reduction in the number of Offer Shares, Huatai Financial may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (subject to reallocation and assuming the Over-allotment Option is not exercised).

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the Offer Price range or the number of Offer Shares is reduced, the Withdrawal Mechanism will be utilised, where, our Company, among other things, is required to (i) issue a supplemental prospectus as a result of material changes in the information e.g. the Offer Price in the prospectus; and (ii) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for shares despite the change.)

STRUCTURE OF THE GLOBAL OFFERING

STABILISATION ACTION

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 new securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. Such transactions may be carried out in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws, rules and regulations, including those of Hong Kong (such as the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time). In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is carried out is not permitted to exceed the Offer Price.

We have appointed Huatai Financial as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or carry out transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and expected to end on the 30th day from the last day for lodging of applications under the Public Offer.

Any market purchases of the Shares may be carried out on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be 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. Any such stabilising activity must cease on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 15,000,000 Shares in aggregate, which represents 15% of the Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The types of stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (e) selling, or agreeing to sell, the Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising actions in Hong Kong during the stabilisation period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- (c) stabilising action cannot be used to support the price of the Shares for longer than the stabilising period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day from the last date for lodging applications under the Public Offer. After this date, no further stabilising action may be taken and therefore the demand for the Shares as well as the price of the Shares may fall;
- (d) there is no assurance that the price of the Shares will stay at or above the Offer Price either during or after the stabilising period by taking any stabilising action; and
- (e) stabilising bids may be made or transactions carried out in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions carried out at a price below the price paid by applicants or investors for the Shares.

STRUCTURE OF THE GLOBAL OFFERING

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

OVER-ALLOCATION

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by, among other methods, exercising the Over-allotment Option, which will be exercisable by the Stabilising Manager (on behalf of the Placing Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of and permission to deal in:

- (a) the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (b) the Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme.

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

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

DEALINGS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Friday, 13 March 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. (Hong Kong time) on Friday, 13 March 2020.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1941.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public 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.

Our Company, Huatai Financial, 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 Public 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 under the U.S. Securities Act); 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, Huatai Financial may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **HK eIPO White Form** service at www.hkeipo.hk or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 February 2020 until 12:00 noon Friday, 6 March 2020 from:

- (a) any of the following addresses of the Public Offer Underwriters:

Huatai Financial Holdings (Hong Kong) Limited
62/F The Center
99 Queen's Road Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Alliance Capital Partners Limited
Room 1502-03A, 15/F
Wing On House
71 Des Voeux Road Central
Hong Kong

China Tonghai Securities Limited
18/F-19/F China Building
29 Queen's Road Central
Hong Kong

CMB International Capital Limited
45F, Champion Tower
3 Garden Road
Central, Hong Kong

AMTD Global Markets Limited
23/F – 25/F Nexxus Building
41 Connaught Road Central
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
No.95 Queensway
Hong Kong

Glory Sun Securities Limited
Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Realord Asia Pacific Securities Limited
Suite 2402 24/F Jardine House
1 Connaught Place
Central, Hong Kong

Alpha International Securities (HONG KONG) Limited
Unit 2301, 23/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

CRIC Securities Company Limited
Room 2007 & 2403, Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

Maxa Capital Limited
Flat 08, 19/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

- (b) any of the branches of the following receiving bank:

Industrial and Commercial Bank of China (Asia) Limited

	Branch	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
	Wanchai Road Branch	G/F Times Media Centre, No. 133 Wan Chai Road, Hong Kong
Kowloon	Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
	Telford Branch	Shop P19-P20, Telford Plaza, Kowloon Bay, Kowloon
New Territories	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories
	Tai Hing Branch	Shop 21–23 Tai Hing Commercial Complex, Tai Hing Estate, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 February 2020 until 12:00 noon on Friday, 6 March 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 – YE XING GROUP HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 28 February 2020 – 9:00 a.m. to 5:00 p.m.
- Saturday, 29 February 2020 – 9:00 a.m. to 1:00 p.m.
- Monday, 2 March 2020 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 3 March 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 4 March 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, 5 March 2020 – 9:00 a.m. to 5:00 p.m.
- Friday, 6 March 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 March 2020, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section below.

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 (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or Huatai Financial (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance and the Memorandum and Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that: (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its 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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) understand that our Company and Huatai Financial will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who can apply” in this section above, may apply through the **HK eIPO White Form** service for the Public 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 in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or in 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk or in the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 February 2020 until 11:30 a.m. on Friday, 6 March 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 March 2020 or such later time under “10. Effect of bad weather on the opening of the application lists” in this section below.

No multiple applications

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under the **HK eIPO White Form** more than once and obtaining payment application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (iv) (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;
 - (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) confirm that you understand that our Company, our Directors and Huatai Financial will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominee's name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public 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 (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Public Offer Shares. Instructions for more than 2,000 Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

- Friday, 28 February 2020 – 9:00 a.m. to 8:30 p.m.
- Saturday, 29 February 2020 – 8:00 a.m. to 1:00 p.m.
- Monday, 2 March 2020 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 3 March 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 4 March 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 5 March 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 6 March 2020 – 8:00 a.m. to 12:00 noon

Note:

- (1) These times in this subsection are subject to change as HKSCC may determine, from time to time with prior notification to CCASS Custodian Participants and/or or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 February 2020 until 12:00 noon on Friday, 6 March 2020 (24 hours daily, except on Friday, 6 March 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 March 2020, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section below.

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public 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 Public 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public 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. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, 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 Public 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, 6 March 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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
- 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 PUBLIC 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 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Public 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 in 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 of the Offer Price, see “Structure of the Global Offering – Price determination of the Global Offering” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- “extreme conditions” caused by super typhoons; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 March 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, 6 March 2020 or if there is a tropical cyclone warning signal number 8 or above, “extreme conditions” caused by super typhoons or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 12 March 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.hongkunjwuye.com no later than 9:00 a.m. on Thursday, 12 March 2020;
- from the designated results of allocations websites at www.tricor.com/ipo/result and www.hkeipo.hk/iporesult or **IPO App** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 12 March 2020 to 12:00 midnight on Wednesday, 18 March 2020;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 12 March 2020 to Tuesday, 17 March 2020 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 12 March 2020 to Monday, 16 March 2020 at all the designated branches and sub-branches of the receiving bank.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Please refer to “Structure of the Global Offering” in this prospectus for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) 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 please 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.

If our Company or its agents exercise their discretion to reject your application:

Our Company, Huatai Financial, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

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) Public Offer Shares and 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 or in the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or Huatai Financial believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 12 March 2020.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (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 Public 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 Public 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 before Thursday, 12 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).

Share certificates will only become valid at 8:00 a.m. on Friday, 13 March 2020 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 12 March 2020, or such other date as notified by us in the newspapers.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Branch 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 12 March 2020 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 12 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 Participants stock account as stated in your Application Form on Thursday, 12 March 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 12 March 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 12 March 2020, or such other date as notified by our Company 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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 12 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.

If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 12 March 2020 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of results" in this section above on Thursday, 12 March 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 12 March 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC 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 Public 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 12 March 2020. Immediately following the credit of the Public 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 Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 12 March 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-64, received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.

德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YE XING GROUP HOLDINGS LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

Introduction

We report on the historical financial information of Ye Xing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-64, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017, 2018 and 31 August 2019, the statement of financial position of the Company as at 31 August 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2018 and the eight months ended 31 August 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 February 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the "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 preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 Group's financial position as at 31 December 2016, 2017, 2018 and 31 August 2019, of the Company's financial position as at 31 August 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*Adjustment*

In preparing the Historical Financial Information, no adjustment to the Underlying Financial Statement as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the group entities comprising the Group in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

28 February 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information of the Group**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") which is also the functional currency of the Company 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			Eight months ended 31 August	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	6	116,502	191,558	251,177	158,086	175,356
Cost of services		(78,448)	(123,728)	(169,451)	(103,201)	(109,409)
Gross profit		38,054	67,830	81,726	54,885	65,947
Other income	7(a)	2,819	2,501	211	164	59
Other gains or losses	7(b)	1,074	1,138	2,241	1,902	752
Administrative expenses		(13,517)	(20,246)	(26,576)	(16,940)	(19,291)
Impairment loss, net of reversal	8	(147)	(610)	(1,691)	(1,432)	(614)
Selling expenses		(3,855)	(2,594)	(6,138)	(3,951)	(1,372)
Listing expenses		-	-	-	-	(13,347)
Interests on lease liabilities		(333)	(315)	(245)	(163)	(115)
Profit before tax		24,095	47,704	49,528	34,465	32,019
Income tax expense	9	(6,542)	(12,129)	(12,307)	(8,176)	(11,388)
Profit and total comprehensive income for the year/period	11	17,553	35,575	37,221	26,289	20,631
Profit and total comprehensive income for the year/period attributable to:						
- Owners of the Company		17,553	35,887	36,940	26,202	20,631
- Non-controlling interests		-	(312)	281	87	-
		17,553	35,575	37,221	26,289	20,631
Earnings per share (RMB cent)						
- Basic	12	7.38	15.09	15.54	11.02	7.91

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company
		At 31 December			At 31 August	At 31 August
		2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
NON-CURRENT ASSETS						
Investment in a subsidiary	35	-	-	-	-	31,625
Property, plant and equipment	14	1,856	2,328	2,440	2,183	-
Intangible assets	15	-	-	-	4,833	-
Deferred tax assets	16	1,319	1,174	1,359	587	-
Right-of-use assets	17	4,391	3,575	2,433	1,905	-
Goodwill	18	-	-	1,519	1,519	-
		<u>7,566</u>	<u>7,077</u>	<u>7,751</u>	<u>11,027</u>	<u>31,625</u>
CURRENT ASSETS						
Trade and other receivables	19	12,074	19,779	24,841	35,183	7,371
Financial assets at fair value through profit or loss	20	14,000	20,145	-	-	-
Amounts due from related parties	21(a)	70,758	59,337	134,970	167,173	23
Bank balances and cash	22	<u>74,548</u>	<u>107,698</u>	<u>92,750</u>	<u>21,387</u>	<u>2,215</u>
		<u>171,380</u>	<u>206,959</u>	<u>252,561</u>	<u>223,743</u>	<u>9,609</u>
CURRENT LIABILITIES						
Trade and other payables	23(a)	62,089	86,569	95,203	94,985	5,933
Contract liabilities	23(b)	40,102	52,780	50,205	59,610	-
Lease liabilities	24	1,188	1,337	1,063	966	-
Amounts due to related parties	21(b)	20,665	15,907	18,588	912	2,514
Tax liabilities		<u>9,135</u>	<u>3,761</u>	<u>5,901</u>	<u>6,263</u>	<u>-</u>
		<u>133,179</u>	<u>160,354</u>	<u>170,960</u>	<u>162,736</u>	<u>8,447</u>
NET CURRENT ASSETS		<u>38,201</u>	<u>46,605</u>	<u>81,601</u>	<u>61,007</u>	<u>1,162</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>45,767</u>	<u>53,682</u>	<u>89,352</u>	<u>72,034</u>	<u>32,787</u>
NON-CURRENT LIABILITY						
Lease liabilities	24	<u>3,436</u>	<u>2,653</u>	<u>1,750</u>	<u>1,220</u>	<u>-</u>
NET ASSETS		<u>42,331</u>	<u>51,029</u>	<u>87,602</u>	<u>70,814</u>	<u>32,787</u>
CAPITAL AND RESERVES						
Paid-up capital/share capital	25	14,000	33,000	33,000	-	-
Reserves		<u>28,331</u>	<u>18,018</u>	<u>54,602</u>	<u>70,814</u>	<u>32,787</u>
Equity attributable to owners of the Company		42,331	51,018	87,602	70,814	32,787
Non-controlling interests		-	11	-	-	-
TOTAL EQUITY		<u>42,331</u>	<u>51,029</u>	<u>87,602</u>	<u>70,814</u>	<u>32,787</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total
	Paid-up capital/ share capital	Share premium	Statutory reserve	Capital reserve	Retained profits	Subtotal			
	RMB'000 (Note 25)	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000		
At 1 January 2016	14,000	-	1,775	-	9,003	24,778	-	24,778	
Profit and total comprehensive income for the year	-	-	-	-	17,553	17,553	-	17,553	
Transfer to statutory reserve	-	-	1,991	-	(1,991)	-	-	-	
At 31 December 2016	14,000	-	3,766	-	24,565	42,331	-	42,331	
Profit and total comprehensive income for the year	-	-	-	-	35,887	35,887	(312)	35,575	
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	323	323	
Arising from Group Reorganisation (Note c)	(6,000)	-	-	(200)	-	(6,200)	-	(6,200)	
Dividend declared (Note 13)	-	-	-	-	(46,000)	(46,000)	-	(46,000)	
Transfer to statutory reserve	-	-	3,354	-	(3,354)	-	-	-	
Issuance of new shares of a subsidiary	25,000	-	-	-	-	25,000	-	25,000	
At 31 December 2017 (as originally stated)	33,000	-	7,120	(200)	11,098	51,018	11	51,029	
Effect arising from initial application of HKFRS 9 (Note 3)	-	-	-	-	(356)	(356)	-	(356)	
At 1 January 2018 (restated)	33,000	-	7,120	(200)	10,742	50,662	11	50,673	
Profit and total comprehensive income for the year	-	-	-	-	36,940	36,940	281	37,221	
Transfer to statutory reserve	-	-	3,502	-	(3,502)	-	-	-	
Disposal of a subsidiary (Note 32)	-	-	-	-	-	-	(194)	(194)	
Deregistration of a subsidiary	-	-	-	-	-	-	(98)	(98)	
At 31 December 2018	33,000	-	10,622	(200)	44,180	87,602	-	87,602	
Profit and total comprehensive income for the period	-	-	-	-	20,631	20,631	-	20,631	
Arising from Group Reorganisation (Note d)	(3,000)	-	-	(16,500)	-	(19,500)	-	(19,500)	
Dividend declared (Note 13)	-	-	-	-	(35,500)	(35,500)	-	(35,500)	
Issuance of new shares of a subsidiary pursuant to Group Reorganisation (Note e)	1,625	-	-	975	-	2,600	-	2,600	
Issue of shares pursuant to Group Reorganisation (Note f)	(31,625)	31,625	-	-	-	-	-	-	
Issue of shares (Note g)	-	14,981	-	-	-	14,981	-	14,981	
At 31 August 2019	-	46,606	10,622	(15,725)	29,311	70,814	-	70,814	
Unaudited									
At 1 January 2018 (restated)	33,000	-	7,120	(200)	10,742	50,662	11	50,673	
Profit and total comprehensive income for the period	-	-	-	-	26,202	26,202	87	26,289	
Deregistration of a subsidiary	-	-	-	-	-	-	(98)	(98)	
At 31 August 2018 (unaudited)	33,000	-	7,120	(200)	36,944	76,864	-	76,864	

Notes:

- a. The statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries' PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either use to set off the accumulated losses or increase capital.
- b. The capital reserve represents: (1) the considerations paid by the Group in excess of the paid-up capital of respective group entities (as detailed in Note c and Note d) upon the Group Reorganisation; (2) the capital injection paid by Winz Strategy Company Limited ("Winz Strategy") in excess of the paid-up capital of Beijing Hongkun Property Management Co., Ltd. ("Beijing Hongkun") (as detailed in Note e) upon the Group Reorganisation; (3) elimination of share capital of Beijing Hongkun (as detailed in Note f) upon the Group Reorganisation; and (4) issue of shares of the Company (as detailed in Note g) upon the Group Reorganisation.
- c. During the year ended 31 December 2017, Beijing Hongkun entered into an equity transfer agreement with Beijing Hongkun Weiye Property Development Company Limited ("Hongkun Weiye") and Beijing Wanli Zongheng Investment Company Limited ("Wanli Zongheng"), both of which are fellow subsidiaries of the Group, pursuant to which each of Hongkun Weiye and Wanli Zongheng agreed to transfer their entire equity interests in Beijing Hongkun Property Management Company Limited ("Beijing Hongkun Property Management"), Xianghe Hongkun Property Service Company Limited ("Xianghe Hongkun") and Dongfang Hongkun Ruibang Property Service Company Limited ("Dongfang Hongkun"), in which these entities were engaged in the provision of property management services in the PRC, to Beijing Hongkun at a total cash consideration of RMB6,200,000. The amount of RMB200,000 was debited to the capital reserve as deemed distribution.
- d. On 28 December 2018, Beijing Hongkun entered into an equity transfer agreement with Beijing Hongkun Innovation Industry Investment Company Limited ("Hongkun Innovation"), a subsidiary of Hongkun Group Co., Ltd. ("Hongkun Holding"), a company in which under the common control of the Controlling Shareholders, pursuant to which Hongkun Innovation agreed to transfer its entire interests in Beijing Cloud Era Enterprise Operation Management Company Limited ("Cloud Era") and Beijing Hongkun Valley Enterprise Operation Management Company Limited ("Hongkun Valley") to Beijing Hongkun at a total cash consideration of RMB13,700,000. On 28 December 2018, Beijing Hongkun entered into an equity transfer agreement with Hongkun Holding, pursuant to which Hongkun Holding agreed to transfer its entire equity interest in Hongkun (Beijing) Business Management Company Limited ("Hongkun Business Management"), in which this entity was engaged in the provision of property management services, to Beijing Hongkun at a total cash consideration of RMB5,800,000. The total consideration of RMB19,500,000 has paid and transaction was completed during the eight months ended 31 August 2019. A balance of RMB16,500,000 was debited to the capital reserve as deemed distribution.
- e. On 18 February 2019, pursuant to a capital injection agreement, Winz Strategy acquired approximately 5.14% of the enlarged equity interests of Beijing Hongkun at a consideration of RMB2,600,000. Among the cash consideration of RMB2,600,000, RMB1,625,000 was credited to the registered capital of Beijing Hongkun and the remaining RMB975,000 was credited to the capital reserve. The transaction was completed on 15 May 2019.
- f. On 20 May 2019, each of Hongkun Holding, Ningxia Yirun Chuangzhi Investment Centre (Limited Partnership) ("Ningxia Yirun"), Beijing Yirun Venture Capital Company Limited ("Beijing Yirun"), Beijing Hongkun Ruibang Investment Centre (Limited Partnership) ("Hongkun Investment") and Winz Strategy entered into an equity transfer agreement with Ye Xing (HK) Holdings Limited ("Ye Xing (HK)"), pursuant to which Hongkun Holding, Ningxia Yirun, Beijing Yirun, Hongkun Investment and Winz Strategy transferred the entire equity interests in Beijing Hongkun to Ye Xing (HK) at an aggregate consideration of RMB31,625,000 which was determined based on the then registered share capital of Beijing Hongkun. The transaction was completed on 2 July 2019. On 31 May 2019, each of Ascendor Futur Holding Limited ("Ascendor Futur") and Winz Strategy entered into a subscription agreement, pursuant to which Ascendor Futur and Winz Strategy agreed to subscribe 7,925 and 429 shares of the Company at a consideration equivalent to RMB30,000,000 and RMB1,625,000 respectively, which were determined with the reference to the then registered share capital of Beijing Hongkun. The aggregate subscription price was settled on 3 June 2019.
- g. On 3 June 2019, the Company and Winz Strategy entered into a subscription agreement, pursuant to which Winz Strategy agreed to subscribe 1,645 shares of the Company at a consideration of approximately HK\$17,028,000 (equivalent to RMB14,981,000). Such consideration was fully settled by cash on 6 June 2019.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	24,095	47,704	49,528	34,465	32,019
Adjustments for:					
Depreciation of property, plant and equipment	463	474	625	422	454
Depreciation of right-of-use assets	1,245	1,534	1,308	872	639
Amortisation of intangible assets	-	-	-	-	167
Loss on disposal of property, plant and equipment	11	14	35	34	-
Interest income	(2,819)	(2,501)	(211)	(164)	(59)
Gain on disposal of a subsidiary	-	-	(37)	-	-
Gain on deregistration of a subsidiary	-	-	(98)	(98)	-
Impairment losses for trade and other receivables	(147)	(610)	(1,691)	(1,432)	(614)
Interests on lease liabilities	333	315	245	163	115
Operating cash flows before movements in working capital	23,181	46,930	49,704	34,262	32,721
Increase in trade and other receivables	(1,962)	(2,825)	(840)	(8,135)	(2,631)
Decrease (increase) in amounts due from related parties	10,897	(10,230)	(63,829)	(41,889)	17,010
(Increase) decrease in financial assets at fair value through profit or loss	(9,000)	(6,145)	20,145	(24,535)	-
Increase (decrease) in trade and other payables	18,337	20,803	8,878	1,416	(1,980)
Increase (decrease) in contract liabilities	7,798	10,653	(4,605)	3,711	9,405
Cash generated from (used in) operations	49,251	59,186	9,453	(35,170)	54,525
Income tax paid	(2,527)	(17,357)	(10,353)	(8,177)	(10,255)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	46,724	41,829	(900)	(43,347)	44,270

	NOTES	Year ended 31 December			Eight months ended 31 August	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
INVESTING ACTIVITIES						
Advance to related parties		(73,130)	(165,675)	(61,100)	(45,894)	(270,584)
Purchases of property, plant and equipment		(1,439)	(957)	(686)	(387)	(197)
Purchase of intangible assets		-	-	-	-	(5,000)
Repayment from related parties		63,346	153,626	49,296	14,933	200,817
Repayment of loan receivables from a fellow subsidiary		-	33,700	-	-	-
Interest received		2,819	2,501	211	164	59
Proceeds on disposal of property plant and equipment		254	54	-	-	-
Net cash inflow (outflow) on acquisition of subsidiaries	26	-	1,374	(2,618)	(2,618)	-
Net cash outflow (inflow) on disposal of a subsidiary	32	-	-	(244)	-	275
NET CASH (USED IN) FROM INVESTING ACTIVITIES						
		(8,150)	24,623	(15,141)	(33,802)	(74,630)

NOTES	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
FINANCING ACTIVITIES					
Advance from related parties	15,665	7,229	18,470	14,910	23,084
Repayment to related parties	(6,879)	(11,987)	(15,789)	(15,657)	(20,237)
Principal paid for lease liabilities	(1,012)	(1,352)	(1,343)	(896)	(738)
Interests paid on lease liabilities	(333)	(315)	(245)	(163)	(115)
Capital contribution from non-controlling shareholders of subsidiaries	-	323	-	-	-
Issue costs paid	-	-	-	-	(5,609)
Proceeds from issue of new shares of a subsidiary	-	25,000	-	-	2,600
Proceeds from issue of shares	-	-	-	-	46,606
Dividend paid	-	(46,000)	-	-	(35,500)
Payments to the Group's fellow subsidiaries in relation to acquisition of subsidiaries under common control	-	(6,200)	-	-	(51,125)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	<u>7,441</u>	<u>(33,302)</u>	<u>1,093</u>	<u>(1,806)</u>	<u>(41,034)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>46,015</u>	<u>33,150</u>	<u>(14,948)</u>	<u>(78,955)</u>	<u>(71,394)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>28,533</u>	<u>74,548</u>	<u>107,698</u>	<u>107,698</u>	<u>92,750</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	-	-	-	31
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD AND REPRESENTED BY BANK BALANCES AND CASH	<u><u>74,548</u></u>	<u><u>107,698</u></u>	<u><u>92,750</u></u>	<u><u>28,743</u></u>	<u><u>21,387</u></u>

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. General**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 26 March 2019. The addresses of the registered office and principal place of business of the Company are stated in the section “Corporate Information” of the Prospectus.

The Company’s immediate holding company is Ascendor Futur, a limited company which was incorporated as an exempted company with limited liability in the British Virgin Islands. Its ultimate holding company is Will Full Holdings Limited (“Will Full”), a limited liability company incorporated in the British Virgin Islands (the “BVI”) which is controlled by Mr. Zhao Weihao.

On 29 June 2018, Beijing Hongkun obtained approval for its shares to be listed on the National Equities Exchange and Quotations (“NEEQ”) in the PRC (stock code: 872889). Its shares started to be traded on the NEEQ on 1 August 2018. On 27 November 2018, Beijing Hongkun’s shareholders resolved to voluntarily delist Beijing Hongkun’s shares from the NEEQ. The delisting completed on 19 December 2018.

The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the provision of property management services and commercial operational services, and the particulars of the Company’s subsidiaries are set out in Note 31.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

No statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

2. Basis of Preparation and Presentation of the Historical Financial Information

The Historical Financial information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting.

Prior to the Group Reorganisation, Beijing Hongkun and its subsidiaries (collectively referred to as the “Operating Subsidiaries”) were owned by Ningxia Yirun Chuangzhi Investment Centre (Limited Partnership) (“Ningxia Yirun”), Beijing Yirun Venture Capital Company Limited (“Beijing Yirun”), Hongkun Holding, Beijing Hongkun Ruibang Investment Centre (Limited Partnership) (“Hongkun Investment”) and ultimately controlled by Mr. Zhao Weihao (the son of Mr. Zhao Bin and Ms. Wu Hong), Mr. Zhao Bin and Ms. Wu Hong (collectively referred to as the “Controlling Shareholders”). In preparing for the initial listing of the shares of the Company on the Stock Exchange, the companies now comprising the Group underwent a group reorganisation as described below (the “Group Reorganisation”).

The principle steps of the Group Reorganisation are as below:

On 25 December 2018, Beijing Hongkun entered into an equity transfer agreement with Guangzhou Norden Elevator Service Co., Ltd. (“Guangzhou Norden”), which was an independent third party and the non-controlling shareholder of Hebei Hongkun Norden Machinery Equipment Installation Engineering Co., Ltd. (“Hebei Hongkun Norden”), pursuant to which Beijing Hongkun agreed to transfer its 55% equity interest in Hebei Hongkun Norden to Guangzhou Norden, at a cash consideration of RMB275,000. Upon the completion of the disposal Beijing Hongkun lose the control over Hebei Hongkun Norden.

For business consolidation and centralised management purpose, on 28 December 2018, Beijing Hongkun acquired entire equity interests in Cloud Era and Hongkun Valley from Hongkun Innovation, a fellow subsidiary of the Group, at a total cash consideration of RMB13,700,000. These newly acquired entities were engaged in the provision of property management services in the PRC. The transaction was completed during the eight months ended 31 August 2019.

On 28 December 2018, Beijing Hongkun and Hongkun Holding entered into an equity transfer agreement upon which Beijing Hongkun acquired from Hongkun Holding its entire equity interest in Hongkun Business Management at a cash consideration of RMB5,800,000. The equity transfer completed during the eight months ended 31 August 2019.

On 29 December 2018, the shareholders of Beijing Hongkun passed resolutions approving among other matters, the conversion of Beijing Hongkun from a joint stock company with limited liability into a limited liability company. The conversion was completed on 13 February 2019.

On 18 February 2019, pursuant to a capital injection agreement, Winz Strategy acquired approximately 5.14% of the enlarged equity interest of Beijing Hongkun at a cash consideration of RMB2,600,000. Among the cash consideration of RMB2,600,000, RMB1,625,000 was credited to the registered capital of Beijing Hongkun and the remaining RMB975,000 was credited to the capital reserve of Beijing Hongkun. Upon completion of the capital injection, the registered capital of Beijing Hongkun increased from RMB30,000,000 to RMB31,625,000. Beijing Hongkun was then converted into a sino-foreign joint venture enterprise and was owned by Ningxia Yirun, Beijing Yirun, Hongkun Holding, Hongkun Investment and Winz Strategy as to approximately 36.05%, 30.36%, 18.97%, 9.49% and 5.14%, respectively.

The following steps are relating to the incorporation of investment holding companies:

On 5 March 2019, Will Full was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$0.01. On the same day, Will Full allotted and issued at par for 9,862, 100 and 38 shares to Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, respectively. Will Full was then owned as to 98.62%, 1% and 0.38% by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin, respectively.

On 5 March 2019, Ascendor Futur was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$0.01. On the same day, Ascendor Futur allotted and issued at par 10,000 shares to Will Full. Ascendor Futur has since then become a direct wholly-owned subsidiary of Will Full.

On 26 March 2019, the Company was incorporated in the Cayman Islands as an exempt company with limited liability. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each. On the same day, one subscriber share of the Company was allotted and issued to an independent third party, at par, which then transferred such share to Ascendor Futur at par. On 31 May 2019, the Company allotted and issued 7,925 shares to Ascendor Futur at par, credited as fully paid. The Company was then wholly-owned by Ascendor Futur.

On 4 April 2019, Ye Xing Holdings Limited (“Ye Xing Holdings”) was incorporated in the BVI as a company limited by shares and is authorised to issue a maximum of 5,000,000 shares of US\$0.01 par value each of a single class. On the same day, Ye Xing Holdings allotted and issued at par one share to the Company. Ye Xing Holdings has since then become a direct wholly-owned subsidiary of the Company.

On 12 April 2019, Ye Xing (HK) was incorporated in Hong Kong as a limited liability company. On the same day, 10,000 shares of Ye Xing (HK) were allotted and issued to Ye Xing Holdings for a cash consideration of HK\$10,000. Ye Xing (HK) has since then become an indirect wholly-owned subsidiary of the Company.

Pursuant to a sale and purchase agreement dated 20 May 2019, Ningxia Yirun, Beijing Yirun, Hongkun Holding, Hongkun Investment and Winz Strategy as vendors sold and Ye Xing (HK) as purchaser acquired the entire equity interest in Beijing Hongkun at a consideration of RMB31,625,000, which was determined based on the then aggregated registered capital of Beijing Hongkun. The consideration was fully settled on 2 July 2019. Upon completion of such acquisition, Beijing Hongkun became wholly-owned by Ye Xing (HK) and an indirect wholly-owned subsidiary of the Company.

On 31 May 2019, each of Ascendor Futur and Winz Strategy entered into a subscription agreement, pursuant to which Ascendor Futur and Winz Strategy agreed to subscribe 7,925 and 429 shares of the Company at a consideration equivalent to RMB30,000,000 and RMB1,625,000 respectively, which were determined with reference to the then registered share capital of Beijing Hongkun. The aggregate subscription price was settled on 3 June 2019. Upon completion of such subscription, the Company was then owned as to 94.86% (7,926 shares) and 5.14% (429 shares) by Ascendor Futur and Winz Strategy, respectively.

On 3 June 2019, the Company and Winz Strategy entered into a subscription agreement, pursuant to which Winz Strategy agreed to subscribe 1,645 shares of the Company at a consideration of approximately HK\$17,028,000 (equivalent to RMB14,981,000). Such consideration was fully settled by cash on 6 June 2019. Upon completion of such subscription, the Company was then owned as to 79.26% (7,926 shares) and 20.74% (2,074 shares) by Ascendor Futur and Winz Strategy, respectively.

The Group Reorganisation completed on 2 July 2019. The Group comprising the Company, Ye Xing Holdings, Ye Xing (HK) and the Operating Subsidiaries held by Beijing Hongkun has always been under the common control of the Controlling Shareholders during the Track Record Period and before and after the Group Reorganisation. Therefore, it is regarded as a continuing entity and the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2019 which include the financial performance, changes in equity and cash flows of the companies comprising the Group (including these subsidiaries which were deregistered during the Track Record Period as stated in Note 31 and Hebei Hongkun Norden which was disposed of on 25 December 2018) and have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable.

3. Application of Hong Kong Financial Reporting Standards (the “HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, that are effective for the financial years beginning from 1 January 2018 and 2019, including HKFRS 15 “*Revenue from Contracts with Customers*” (“HKFRS 15”) and HKFRS 16 “*Leases*” (“HKFRS 16”), throughout the Track Record Period, except that the Group adopted HKFRS 9 “*Financial Instruments*” (“HKFRS 9”) on 1 January 2018 and adopted HKAS 39 “*Financial Instruments: Recognition and Measurement*” (“HKAS 39”) prior to 1 January 2018.

HKFRS 9 “Financial Instruments”

Since 1 January 2018, the Group has applied HKFRS 9 which introduces new requirement for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit loss (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain information for the years ended 31 December 2016 and 2017 may not be comparable as such information was prepared under HKAS 39.

Classification and measurement of financial assets and liabilities

All recognised financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The Group applies the HKFRS 9 simplified approach to measure ECL which use a lifetime ECL for all trade receivables (including trade related amounts due from related parties). To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics and are assessed collectively using a provision matrix with approximate groupings and/or assessed individually for debtors with significant balances.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, non-trade related amounts due from related parties and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is negligible.

For other receivables, the management of the Group make periodic assessment on the recoverability based on historical settlement records and past experience. Based on assessment by management of the Group, the ECL for other receivables is not material.

For amounts due from related parties, the Group has considered the history of default, continuous partial settlement of these counterparties, as well as considering the financial capability and good credit rating of Hongkun Weiye and concluded that the credit risk inherent in the Group's outstanding balances of amounts due from related parties are insignificant.

Accordingly, no loss allowance has been recognised for other financial assets as at 1 January 2018.

As at 1 January 2018, an additional loss allowance of RMB356,000 has been recognised against retained profits. The additional loss allowance is charged through a loss allowance account.

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	<u>Retained profits</u>
	<i>RMB'000</i>
Closing balance at 31 December 2017 – HKAS 39	11,098
Effect arising from initial application of HKFRS 9:	
Remeasurement	
– impairment under ECL model	<u>(356)</u>
Opening balance at 1 January 2018	<u><u>10,742</u></u>

Loss allowance for trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	<u>Loss allowance</u>
	<u>for trade</u>
	<u>receivables</u>
	<i>RMB'000</i>
At 31 December 2017 – HKAS 39	1,234
Amounts remeasured through opening retained profits	<u>356</u>
At 1 January 2018	<u><u>1,590</u></u>

The Group has not early applied the following new and amendments to HKFRS and interpretations (“new and revised HKFRS”) that have been issued but not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 1 and HKAS 8	Definition of Materials ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2020

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRS standards and will be mandatorily effective of the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 “Definition of a Business”

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective of the Group’s annual period beginning on 1 January 2020.

The management of the Group anticipates that the application of the new and revised HKFRS will have no material impact on the Group’s financial position and performance to the Group in foreseeable future.

4. Significant Accounting Policies

The Historical Financial Information has been prepared in conformity with HKFRS issued by the HKICPA. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary or business begins when the Group obtains control over the subsidiary or business and ceases when the Group loses control of the subsidiary or business. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary or business.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries or business is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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 consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Merger accounting for business combination involving entities or business under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling shareholder.

The net assets of the combining business are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition accounting. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively; and
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing***The Group as lessee***

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate at the date of initial application.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilities are presented on a separate line in the consolidated statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "*Provisions, contingent liabilities and contingent assets*". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented on a separate line in the consolidated statements of financial position.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group applies HKAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss as described above.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components a single component. The Group chooses to use this practical expedient.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

Control of the service may be transferred over time or at a point in time. Control of the service is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the service.

Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides property management services, property developer related services and value-added services to property developers, property owners and residents. Revenue from providing services is recognised over time in the period in which the services are rendered.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

Property management services

For property management services fee income from properties managed under lump-sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners, which is a fixed amount, as its revenue and all related property management costs as its cost of services. For property management services fee income from properties managed under commission basis, where the Group acts as agent, the Group recognised its revenue on a net basis. On a commission basis, the Group charges a pre-determined percentage at 10% of the total property management fees received. Any direct cost under the property management service agreement shall be borne by property owners and residents.

Property developer related services

Property developer related services to property developers and other property management service companies mainly include property planning and design consultancy services, pre-delivery inspection services, sales assistance services, post-delivery repair services or a combination of these services at the pre-delivery stage to property buyers. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

Value-added services

For value-added services, it includes community-related services ranging from utilities services, household repair and maintenance services to other value-added services that meet the daily needs of the property owners and residents. Revenue is recognised over time/at a point in time in the period 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deduction of any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit during the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/period and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to applicable of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments and is included in the "other income" line item.

Financial assets under HKAS 39 (accounting policy applicable before 1 January 2018)

The Group's financial assets are classified into loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend but includes interest earned on the financial assets and is included in the "other gains or losses" line item. Fair value is determined in the manner described in Note 29(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets under HKFRS 9 (accounting policy applicable after 1 January 2018)

Classification and measurement of financial assets

Debt instruments that meet the following conditions (including trade and other receivables, amounts due from related parties and bank balances and cash) are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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 that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend but includes interest earned on the financial asset and is included in the "other gains or losses" line item.

Impairment of financial assets under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from related parties and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognised lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix i.e. analysis of trade receivables by aging and apply a probability-weighted estimate of the credit losses within the relevant time band. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that related to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables from individual customers, amounts due from related parties are each assessed as a separate group. Trade receivables from customers which significant balances are assessed for expected credit losses on an individual basis); and
- Past-due status.

The grouping is regularly reviewed by management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and amounts due to related parties) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated impairment of trade receivables

Before the adoption of HKFRS 9, the Group makes allowances for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification and estimation of impairment of trade receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade receivables and doubtful debts expenses in the year/period in which such estimate is changed.

Since 1 January 2018, the Group follows the guidance of HKFRS 9 to estimate the amount of loss allowance for ECL on trade receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2016, 2017, 2018 and 31 August 2019, the carrying amount of trade receivables amounted to RMB6,834,000, RMB12,387,000, RMB16,513,000 and RMB18,895,000, respectively net of allowance of RMB635,000, RMB1,234,000, RMB1,705,000 and RMB2,165,000, respectively, as disclosed in Note 19 and trade receivables from related parties amounted to RMB3,612,000, RMB13,842,000, RMB77,671,000 and RMB60,661,000, respectively, as disclosed in Note 21(a).

6. Revenue and Segment Information

Revenue represents the net amounts received and receivable for (i) property management service income, (ii) property developer related services, and (iii) value-added services.

Information reported to the directors of the Company, being the chief operating decision maker ("CODM") of the Group, for the purpose of resources allocation and assessment of segment performance focuses on the revenue analysis of each operating segment in the provision of property management service, property developer related services and value-added services of the Group. Other than the revenue analysis as set out below, no operating results and other discrete financial information including geographical location by operating segments relating to provision of property management service, property developer related services and value added services is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment.

No analysis of segment assets and segment liabilities is presented as these information are not regularly provided to the CODM for review.

Revenue from major services

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Type of services					
Property management services	73,790	113,183	169,301	107,333	122,589
Property developer related services	32,858	61,337	62,487	39,259	41,235
Value-added services	9,854	17,038	19,389	11,494	11,532
	<u>116,502</u>	<u>191,558</u>	<u>251,177</u>	<u>158,086</u>	<u>175,356</u>
Type of customers					
External customers	76,068	116,899	159,945	102,816	116,021
Fellow subsidiaries	40,434	74,659	91,232	55,270	59,335
	<u>116,502</u>	<u>191,558</u>	<u>251,177</u>	<u>158,086</u>	<u>175,356</u>
Timing of revenue recognition					
Over time	112,712	185,052	242,188	152,665	169,338
A point in time	3,790	6,506	8,989	5,421	6,018
	<u>116,502</u>	<u>191,558</u>	<u>251,177</u>	<u>158,086</u>	<u>175,356</u>

Performance obligations for the provision of property management services, property developer related services and value-added services are either for a period of one year or less or bill a fixed amount for each month of services provided. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in the PRC, and the non-current assets of the Group are all located in the PRC.

Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fellow subsidiaries (Note)	<u>40,434</u>	<u>74,659</u>	<u>91,232</u>	<u>55,270</u>	<u>59,335</u>

Note: The fellow subsidiaries are companies in which the Controlling Shareholders has beneficial interest.

7. Other Income and Other Gains or Losses

(a) Other Income

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Bank interest income	83	210	211	164	59
Interest income from loans to a fellow subsidiary	2,736	2,291	–	–	–
	<u>2,819</u>	<u>2,501</u>	<u>211</u>	<u>164</u>	<u>59</u>

(b) Other Gains or Losses

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss on disposal of property, plant and equipment	(11)	(14)	(35)	(34)	–
Gain on disposal of a subsidiary (Note 32)	–	–	37	–	–
Gain on deregistration of a subsidiary	–	–	98	98	–
Gain on fair value changes of financial assets at FVTPL	1,081	749	1,628	1,294	–
Gain on waiver of trade and other payables upon deregistration of subsidiaries	–	144	363	287	–
Net exchange gain	–	–	–	–	528
Others	4	259	150	257	224
	<u>1,074</u>	<u>1,138</u>	<u>2,241</u>	<u>1,902</u>	<u>752</u>

8. Impairment Loss, Net of Reversal

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Impairment losses recognised on:					
Trade receivables	147	599	1,691	1,432	460
Other receivables	–	11	–	–	154
	<u>147</u>	<u>610</u>	<u>1,691</u>	<u>1,432</u>	<u>614</u>

Details of impairment assessment for the Track Record Period are set out in Note 19.

9. Income Tax Expense

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
PRC Enterprise Income Tax ("EIT")	6,579	11,984	12,492	8,589	10,616
Deferred tax (Note 16)	(37)	145	(185)	(413)	772
	<u>6,542</u>	<u>12,129</u>	<u>12,307</u>	<u>8,176</u>	<u>11,388</u>

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the Track Record Period.

The Company and the group entity incorporated in the BVI is not subject to income tax in the Cayman Islands or any other jurisdiction.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	24,095	47,704	49,528	34,465	32,019
Tax at the PRC EIT rate of 25%	6,024	11,926	12,382	8,616	8,005
Tax effect of expenses not deductible for tax purposes	287	175	496	131	3,383
Tax effect of tax losses not recognised	231	253	-	-	-
Utilisation of tax losses previously not recognised	-	-	(571)	(571)	-
Utilisation of deductible temporary differences previously not recognised	-	(225)	-	-	-
	<u>6,542</u>	<u>12,129</u>	<u>12,307</u>	<u>8,176</u>	<u>11,388</u>

10. Directors', Chief Executive's and Employees' Emoluments

The Company did not have any independent non-executive directors during the Track Record Period as the Company was incorporated on 26 March 2019.

The executive directors of the Company were appointed on 26 March 2019. Details of the emoluments paid/payable to the directors of the Company (including emoluments for the services as employees of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follow:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Directors' fee	-	-	-	-	-
Other emoluments					
- salaries and other benefits	780	1,313	1,168	714	760
- discretionary bonus	75	195	-	-	47
- contributions to retirement benefit scheme	48	51	60	32	40
	<u>903</u>	<u>1,559</u>	<u>1,228</u>	<u>746</u>	<u>847</u>
	Fee	Salaries and other benefits	Discretionary bonus	Contributions to retirement benefit scheme	Total amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016					
<i>Executive director</i>					
Ms. Wu Guoqing	<u>-</u>	<u>780</u>	<u>75</u>	<u>48</u>	<u>903</u>
Year ended 31 December 2017					
<i>Executive directors</i>					
Ms. Wu Guoqing	-	1,313	195	51	1,559
Mr. Zhao Weihao	-	-	-	-	-
Total	<u>-</u>	<u>1,313</u>	<u>195</u>	<u>51</u>	<u>1,559</u>
Year ended 31 December 2018					
<i>Executive directors</i>					
Ms. Wu Guoqing	-	1,168	-	60	1,228
Mr. Zhao Weihao	-	-	-	-	-
Total	<u>-</u>	<u>1,168</u>	<u>-</u>	<u>60</u>	<u>1,228</u>
Eight months ended 31 August 2019					
<i>Executive directors</i>					
Ms. Wu Guoqing	-	760	47	40	847
Mr. Zhao Weihao	-	-	-	-	-
Ms. Li Yin Ping	-	-	-	-	-
Total	<u>-</u>	<u>760</u>	<u>47</u>	<u>40</u>	<u>847</u>

	<u>Fee</u>	<u>Salaries and other benefits</u>	<u>Discretionary bonus</u>	<u>Contributions to retirement benefit scheme</u>	<u>Total amount</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Eight months ended 31 August 2018 (unaudited)					
<i>Executive directors</i>					
Ms. Wu Guoqing	–	714	–	32	746
Mr. Zhao Weihao	–	–	–	–	–
Total	<u>–</u>	<u>714</u>	<u>–</u>	<u>32</u>	<u>746</u>

Note: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

No remuneration was paid to the independent non-executive directors as no independent non-executive directors were appointed during the Track Record Period.

Ms. Wu Guoqing is not a connected person to the Controlling Shareholders and she was appointed as the chairman of the board of directors of Beijing Hongkun on 18 February 2019. She was appointed as the director of the Company on 26 March 2019 and redesignated as an executive director of the Company on 24 July 2019.

Ms. Li Yin Ping is not a connected person to the Controlling Shareholders and she was appointed as the directors of the Company on 26 March 2019 and was redesignated as an executive director of the Company on 24 July 2019.

No remuneration was paid or is payable to certain directors in respect of their services during the Track Record Period. The Directors are of the opinion that the services provided to the Group only occupy an insignificant amount of their time and therefore it is concluded that those Directors are not remunerated for such services.

The discretionary bonus is determined based on the performance of individual and market trend for the Track Record Period.

The five highest paid individuals of the Group included one, one, one, one (unaudited) and one director for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2018 and 2019. The remunerations of the remaining four, four, four, four (unaudited) and four individuals for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2018 and 2019 are set out below:

	<u>Year ended 31 December</u>			<u>Eight months ended 31 August</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	1,208	1,496	1,994	1,251	1,587
Discretionary bonus	106	219	24	–	18
Contributions to retirement benefit scheme	<u>137</u>	<u>96</u>	<u>154</u>	<u>79</u>	<u>148</u>
	<u>1,451</u>	<u>1,811</u>	<u>2,172</u>	<u>1,330</u>	<u>1,753</u>

The emoluments were within the following bands:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees (unaudited)</i>	<i>No. of employees</i>
Nil to HK\$1,000,000	4	4	4	4	4

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Track Record Period.

11. Profit for the Year/Period

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000</i>
Profit for the year/period has been arrived at after charging:					
Auditors' remuneration	29	210	353	239	50
Directors' emoluments (<i>Note 10</i>)	903	1,559	1,228	746	847
Other staff's salaries and other benefits	38,032	63,464	86,953	57,362	50,933
Other staff's contributions to retirement benefit scheme	4,237	6,803	10,777	6,713	6,516
Other staff's contributions to housing provident funds	1,594	1,243	2,271	1,532	1,822
Total staff costs	44,766	73,069	101,229	66,353	60,118
Depreciation for property, plant and equipment	463	474	625	422	454
Amortisation of intangible assets	-	-	-	-	167

12. Earnings per share

The calculation of basic earnings per share during the Track Record Period are based on the assumption that the Group Reorganisation and the capitalisation issue as detailed in "History, Reorganisation and corporate structure" and "Share Capital" in the Prospectus, Note 2 and Note 36, respectively, below have been effective on 1 January 2016.

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	<u>Year ended 31 December</u>			<u>Eight months ended 31 August</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings for the purposes of basic earnings per share, as appropriate (Profit for the year/period attributable to owners of the Company)	<u>17,553</u>	<u>35,887</u>	<u>36,940</u>	<u>26,202</u>	<u>20,631</u>
	<u>Number of shares</u>	<u>Number of shares</u>	<u>Number of shares</u>	<u>Number of shares</u>	<u>Number of shares</u>
				<i>(unaudited)</i>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>237,780,000</u>	<u>237,780,000</u>	<u>237,780,000</u>	<u>237,780,000</u>	<u>260,983,333</u>

No diluted earnings per share is presented for each of the year ended 31 December 2016, 2017 and 2018 and the eight months ended 31 August 2018 and 2019 as there is no potential ordinary shares in issue during those years/periods.

13. Dividends

No dividend was declared or paid by the Company since its incorporation.

Prior to the completion of Group Reorganisation, Beijing Hongkun, Xianghe Hongkun and Beijing Hongkun Property Management declared and paid dividends in an aggregate amount of RMB46,000,000 to respective immediate holding companies on 31 December 2017.

On 21 January 2019, Beijing Hongkun declared and paid dividends in an aggregate amount of RMB35,500,000 to the then shareholders.

For dividend declared by the subsidiaries of the Group, the rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

14. Property, Plant and Equipment

	Leasehold land and building	Furniture, fixtures and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2016	–	3,497	3,497
Additions	1,073	366	1,439
Disposals	–	(1,155)	(1,155)
At 31 December 2016	1,073	2,708	3,781
Additions	–	957	957
Acquisition of a subsidiary (<i>Note 26(a)</i>)	–	57	57
Disposals	–	(459)	(459)
At 31 December 2017	1,073	3,263	4,336
Additions	–	686	686
Acquisition of a subsidiary (<i>Note 26(b)</i>)	–	91	91
Disposals	–	(1,285)	(1,285)
Disposal of a subsidiary (<i>Note 32</i>)	–	(7)	(7)
At 31 December 2018	1,073	2,748	3,821
Additions	–	197	197
Disposals	–	(4)	(4)
At 31 August 2019	1,073	2,941	4,014
DEPRECIATION			
At 1 January 2016	–	2,352	2,352
Provided for the year	–	463	463
Elimination on disposals	–	(890)	(890)
At 31 December 2016	–	1,925	1,925
Provided for the year	51	423	474
Elimination on disposals	–	(391)	(391)
At 31 December 2017	51	1,957	2,008
Provided for the year	51	574	625
Eliminated on disposals	–	(1,250)	(1,250)
Disposal of a subsidiary (<i>Note 32</i>)	–	(2)	(2)
At 31 December 2018	102	1,279	1,381
Provided for the period	34	420	454
Eliminated on disposals	–	(4)	(4)
At 31 August 2019	136	1,695	1,831
CARRYING VALUES			
At 31 December 2016	1,073	783	1,856
At 31 December 2017	1,022	1,306	2,328
At 31 December 2018	971	1,469	2,440
At 31 August 2019	937	1,246	2,183

The above items of property, plant and equipment are depreciated over their estimate useful lives and after taking into account their estimated residual value, using the straight-line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the term of land lease or 20 years
Furniture, fixtures and equipment	3 to 10 years

15. Intangible assets

	Software copyrights
	<u>RMB'000</u>
COST	
At 1 January and 31 December 2016, 2017 and 2018	–
Additions	<u>5,000</u>
At 31 August 2019	<u>5,000</u>
AMORTISATION	
At 1 January and 31 December 2016, 2017 and 2018	–
Charge for the period	<u>167</u>
At 31 August 2019	<u>167</u>
CARRYING VALUES	
At 31 December 2016, 2017 and 2018	<u>–</u>
At 31 August 2019	<u>4,833</u>

During the year ended 31 December 2018, Hongkun Holding developed two mobile applications called Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家. Hongkun Holding agreed that the Group can use the above copyrighted software on a royalty-free basis. In order to expand the functions of the mobile applications, on 10 June 2019, the Group entered into a software copyright transferring agreement with Hongkun Holding, pursuant to which Hongkun Holding as vendor sold and the Group as purchaser acquired some copyrighted software (i.e. Hongkunhui* 鴻坤薈 and H-Butler* 鴻管家) at a consideration of RMB5,000,000. The Group visualise Hongkunhui* 鴻坤薈 as a platform for the development and dissipation of new value-added services, whereas H-Butler* 鴻管家 as the key supporting tool for staff in carrying out daily functions.

The software copyrights have finite useful lives and are amortised on a straight-line basis over 5 years.

16. Deferred Taxation

The followings are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Tax losses	Allowance for doubtful debts	Temporary difference of deductible accrued expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016	898	156	228	1,282
(Charge) credit to profit or loss for the year	<u>(228)</u>	<u>37</u>	<u>228</u>	<u>37</u>
At 31 December 2016	670	193	456	1,319
(Charge) credit to profit or loss for the year	<u>(520)</u>	<u>147</u>	<u>228</u>	<u>(145)</u>
At 31 December 2017	150	340	684	1,174
(Charge) credit to profit or loss for the year	<u>(150)</u>	<u>105</u>	<u>230</u>	<u>185</u>
At 31 December 2018	–	445	914	1,359
Credit (charge) to profit or loss for the period	<u>–</u>	<u>142</u>	<u>(914)</u>	<u>(772)</u>
At 31 August 2019	<u>–</u>	<u>587</u>	<u>–</u>	<u>587</u>

At 31 December 2016, 2017, 2018 and 31 August 2019, the Group had unused tax losses of RMB4,567,000, RMB3,503,000, RMB2,222,000 and RMB2,222,000 available to offset against future profits. As at 31 December 2016, 2017, 2018 and 31 August 2019, a deferred tax asset has been recognised in respect of tax losses amounted to approximately RMB2,680,000 RMB600,000, nil and nil, respectively. As at 31 December 2016, 2017, 2018 and 31 August 2019, no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB1,887,000, RMB2,903,000, RMB2,222,000 and RMB2,222,000, respectively, due to unpredictability of future profit streams. Unrecognised tax losses amounted to approximately RMB2,286,000 were arising from acquisition of a subsidiary in 2018 and the unrecognised tax losses were utilised in the same year as set out in Note 9.

The unrecognised tax losses will expire in the following years:

	At 31 December			At 31 August
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2019	–	–	–	–
2020	965	965	965	965
2021	922	922	922	922
2022	–	1,016	335	335
2023	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Tax losses	<u>1,887</u>	<u>2,903</u>	<u>2,222</u>	<u>2,222</u>

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated statements of financial position in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB30,472,000, RMB19,849,000, RMB54,393,000 and RMB33,979,000 as at 31 December 2016, 2017, 2018 and 31 August 2019, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

17. Right-of-use Assets

The Group leases office premises and staff quarters to operate its business. Property leases are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The average lease term are 3 years, 2 years, 2 years and 2 years for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2019.

	<i>RMB'000</i>
COST	
At 1 January 2016	5,091
Additions	<u>545</u>
At 31 December 2016	5,636
Additions	<u>718</u>
At 31 December 2017	6,354
Additions	<u>166</u>
At 31 December 2018	6,520
Additions	<u>111</u>
At 31 August 2019	<u>6,631</u>
DEPRECIATION	
At 1 January 2016	–
Provided for the year	<u>1,245</u>
At 31 December 2016	1,245
Provided for the year	<u>1,534</u>
At 31 December 2017	2,779
Provided for the year	<u>1,308</u>
At 31 December 2018	4,087
Provided for the period	<u>639</u>
At 31 August 2019	<u>4,726</u>
CARRYING VALUES	
At 31 December 2016	<u>4,391</u>
At 31 December 2017	<u>3,575</u>
At 31 December 2018	<u>2,433</u>
At 31 August 2019	<u>1,905</u>

The consolidated statements of profit or loss and other comprehensive income contain the following amounts relating to leases:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of right-of-use assets	1,245	1,534	1,308	872	639
Interests on lease liabilities	333	315	245	163	115
Expenses relating to short-term leases	135	250	382	165	315

18. Goodwill

RMB'000

COST AND CARRYING AMOUNTS

At 1 January 2016, 31 December 2016, 31 December 2017 and 1 January 2018

–

Acquisition of a subsidiary (*Note 26(b)*)

1,519

At 31 December 2018 and 31 August 2019

1,519

During the year ended 31 December 2018, the Group acquired Tianjin Hongsheng Property Services Company Limited (“Tianjin Hongsheng”) from Tianjin Hongsheng Investment Co., Ltd, an independent third party, which is engaged in providing property management services (“Tianjin Hongsheng Business”) in Tianjin, the PRC. Details of the related acquisition is disclosed in Note 26(b).

Goodwill acquired in business combination is allocated, at acquisition, to the cash generating unit (“CGU”) of Tianjin Hongsheng Business that are expected to benefit from the business combination. The recoverable amounts of CGU of Tianjin Hongsheng Business have been determined on the basis of value in use calculations. The value in use calculations use cash flow projections based on financial forecast approved by the management of the Group covering a 5-year period. The growth rate is estimated at 2% throughout the forecast period. All set of cash flows beyond the 5-year period are extrapolated using growth rate at 2%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Cash flow projections during the budget period for Tianjin Hongsheng Business are based on the budgeted services revenues and expected gross margins during the budget period and the inflation of the PRC during the forecast period. Expected cash inflows, which include budgeted services revenues, gross margins and inflation have been determined based on past performance and management’s expectations for the market development.

The value-in-use calculation of CGUs is based on the following inputs, basis and assumptions:

(a) *Revenue*

Revenue is based on the existing charge rates and revenue-bearing gross floor area of the properties.

(b) *Discount rate*

The management of the Group considered market and industry data to develop the weighted average cost of capital for the value-in-use calculation. The pre-tax rate used to discount the forecast cash flow is 15% and 15%, respectively, at 31 December 2018 and 31 August 2019 for Tianjin Hongsheng Business.

The recoverable amounts of the CGU of Tianjin Hongsheng Business calculated based on value in use exceeded carrying value by approximately RMB7,704,000 and RMB8,285,000 as at 31 December 2018 and 31 August 2019, respectively.

The management of the Group determined that there is no impairment of the CGU containing goodwill for the acquisition of business during the Track Record Period. The management also considered that any reasonably possible change in any of the assumptions would not cause the recoverable amount of goodwill below its carrying amount.

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGU of Tianjin Hongsheng Business, which would cause the carrying amount to exceed its recoverable amount is disclosed below.

If the pre-tax discount rate adjusts to 20%, which is 5% higher than original 15% discount rate and all other variables were held constant, the carrying amount of the CGU of Tianjin Hongsheng Business would still exceed its recoverable amount as at 31 December 2018 and 31 August 2019, respectively.

19. Trade and Other Receivables

The Group

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (<i>Note a</i>)	7,469	13,621	18,218	21,060
Less: allowance for doubtful debts/expected credit loss	(635)	(1,234)	(1,705)	(2,165)
	<u>6,834</u>	<u>12,387</u>	<u>16,513</u>	<u>18,895</u>
Other receivables:				
Deposits (<i>Note b</i>)	170	755	775	758
Prepayments	546	1,738	1,513	2,034
Payments on behalf of residents (<i>Note c</i>)	2,940	3,393	3,689	4,109
Advances to staff	1,104	1,523	1,890	1,918
Receivable from disposal of a subsidiary (<i>Note 32</i>)	-	-	275	-
Deferred share issue costs	-	-	-	7,371
Others	617	131	334	400
Less: allowance for doubtful debts	(137)	(148)	(148)	(302)
	<u>5,240</u>	<u>7,392</u>	<u>8,328</u>	<u>16,288</u>
Total trade and other receivables	<u><u>12,074</u></u>	<u><u>19,779</u></u>	<u><u>24,841</u></u>	<u><u>35,183</u></u>

Notes:

- (a) As at 1 January 2016, trade receivables from contracts with customers amounted to RMB7,363,000.
- (b) The amounts represented the deposits paid for staff quarters, Point of Sales machines and tendering activities. The deposits are refundable in the next twelve months at each of the end of the reporting period and therefore the amounts are classified as current assets.
- (c) The amounts represented the amounts paid on behalf of residents to the utilities service providers for the services provided.

The Company

Other receivables:

Deferred share issue costs	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>7,371</u>
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Property management service income is generally required to be settled by property owners and property developers on the date upon issuance of demand note.

The Group generally grants a credit period of 30 days for its property developer related services and value-added services to its third parties.

The following is an aged analysis of trade receivables, before the impairment allowance, presented based on the date of demand note issued:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 60 days	1,955	3,510	7,528	6,543
61 to 180 days	2,168	2,626	3,531	6,836
181 to 365 days	1,024	3,881	3,213	3,095
1 to 2 years	2,116	2,835	2,952	2,828
2 to 3 years	206	769	561	1,136
Over 3 years	–	–	433	622
	<u>7,469</u>	<u>13,621</u>	<u>18,218</u>	<u>21,060</u>

The following table shows the movements in the allowance for doubtful trade receivables/expected credit loss that has been recognised for trade receivables during the Track Record Period:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/ period	488	635	1,234	1,705
Effect of application of HKFRS 9	–	–	356	–
Balance at beginning of the year/ period	<u>488</u>	<u>635</u>	<u>1,590</u>	<u>1,705</u>
Allowances/expected credit loss recognised on doubtful debts	147	599	1,691	460
Write-off (<i>Note</i>)	–	–	(1,576)	–
Balance at end of the year/period	<u>635</u>	<u>1,234</u>	<u>1,705</u>	<u>2,165</u>

Note: The write-off of trade receivables was related to external customers starting to do business with the Group during the year ended 31 December 2018 who were in financially difficult to repay the trade balance to the Group and the amount was therefore fully impaired during the year ended 31 December 2018.

The Group writes off a trade receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Trade receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Included in the allowance for trade receivables are impaired trade receivables with an aggregate balance of RMB635,000 and RMB1,234,000, respectively, which are past due as at 31 December 2016 and 2017. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Impairment assessment on trade receivables subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors with significant balances are assessed individually, and the remaining debtors are grouped under a provision matrix based on shared credit risk characteristics and are assessed collectively, by reference to past default experience and current past due exposure of the debtor and adjusted for forward-looking information that is available without undue cost or effort, and an analysis of the debtor's current financial position.

The estimated loss rates are estimated based on historical observed default rates (which are determined for each ageing category of trade receivables by using the estimated actual loss proportion and the transferring rate (which represented the proportion of trade receivables that may be received in next financial year)) over the expected life of the debtors and study of other corporates' default and recovery data (in which the comparables companies are principally engaged in the provision of property management services in the PRC and in opinion of the directors of the Company, are the major market players in the industry) and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the historical continuous settlement by the trade debtors with the Group. Large number of customers with insignificant balances are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward-looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018 and the eight months ended 31 August 2019, the Group recognised loss allowance of RMB1,691,000 and RMB460,000, respectively, on ECL based on the provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables that are assessed collectively (excluding specific customers that are assessed individually as stated above) as at 31 December 2018 and 31 August 2019:

	Expected loss rate		Gross carrying amount		Loss allowance (lifetime not credit-impaired)	
	31 December	31 August	31 December	31 August	31 December	31 August
	2018	2019	2018	2019	2018	2019
			RMB'000	RMB'000	RMB'000	RMB'000
Aged 0 to 30 days	1%	1%	4,329	3,627	35	36
Aged 31 to 60 days	2%	2%	1,899	2,916	34	58
Aged 61 to 90 days	6%	6%	1,050	2,278	59	136
Aged 91 to 180 days	10%	10%	2,481	4,558	234	454
Aged 181 to 360 days	15%	15%	3,213	2,595	467	387
Aged 1 to 2 years	16%	16%	2,952	2,028	451	323
Aged 2 to 3 years	37%	37%	561	1,136	208	418
Aged 3 to 4 years	50%	50%	433	498	217	248
Aged 4 to 5 years	85%	85%	–	124	–	105
Total			<u>16,918</u>	<u>19,760</u>	<u>1,705</u>	<u>2,165</u>

20. Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2016 and 2017, the balances represent the Group's investment in the wealth management products issued by financial institutions with no guaranteed principal and return, while the total expected return ranged from 6% to 12% depending on the performance of the underlying financial investments or the change in the interest rate as specified in the relevant deposits placement, with a maturity period of 30 to 365 days.

The wealth management products are classified as financial assets at FVTPL on initial recognition as they contain non-closely related embedded derivatives. Details of the fair value measurement of financial instruments are set out in Note 29(c).

21. Amounts due from/to related parties

(a) Amounts due from related parties

At the end of each reporting period, the Group have the following significant balances with related parties:

The Group

	At 31 December				At 31 August				Maximum amount outstanding during			
	2016		2017		2018		2019		the year ended 31 December		the eight months ended 31 August	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature												
Fellow subsidiaries	<u>3,612</u>	<u>13,842</u>	<u>77,671</u>	<u>60,661</u>	<u>36,738</u>	<u>25,586</u>	<u>77,877</u>	<u>100,744</u>				
Non-trade nature												
Fellow subsidiaries	<u>67,146</u>	<u>45,495</u>	<u>57,299</u>	<u>106,512</u>	<u>95,415</u>	<u>67,427</u>	<u>80,327</u>	<u>132,676</u>				
Total	<u>70,758</u>	<u>59,337</u>	<u>134,970</u>	<u>167,173</u>								

The Company

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade nature				
Subsidiaries	N/A	N/A	N/A	23

The Group generally grants a credit period of 30 days for its property developer related services and value-added services to its related parties and no credit term granted to related parties for its provision of property management services in which such income is generally required to be settled upon the date of issuance of demand note. The following is an aging analysis of trade amounts due from related parties presented based on date of demand note:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 60 days	3,612	10,224	18,551	14,507
61 to 180 days	–	1,905	24,968	23,360
181 to 365 days	–	1,379	29,446	13,086
1 to 2 years	–	334	4,706	9,086
2 to 3 years	–	–	–	622
	<u>3,612</u>	<u>13,842</u>	<u>77,671</u>	<u>60,661</u>

Included in the Group's trade amounts due from related parties, are receivables with aggregate carrying amount of RMBnil, RMB4,129,000 at 31 December 2016 and 2017, respectively, which are past due as at the end of each reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of trade amounts due from related parties, the Group considers any change in the credit quality of these trade amounts from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are past due but not impaired as these entities are the subsidiaries or fellow subsidiaries of Hongkun Weiye, which has no history of default.

Prior to 1 January 2018, the Group determine the recoverability of these trade amounts through estimates the recoverable amount of these trade amounts by aging analysis in each communities managed by the Group. Considering these counterparties as the related parties of the Group and there are no history of default, impairment allowance is not provided to these trade amounts.

Starting from 1 January 2018, the Group applied simplified approach to provide the ECLs prescribed by HKFRS 9. The impairment methodology is set out in Notes 4 and 19, respectively.

As part of the Group's credit risk management, the Group uses the internal credit rating to assess the impairment for its related parties. The management of the Group considers that there is no significant ECL recognised for the trade receivables from related parties based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the real estate industry in which its related parties operate) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL for trade receivables from related parties that over 90 days past due because these related parties are the subsidiaries or fellow subsidiaries of Hongkun Weiye, which have no history of default and continuous partial settlement of these counterparties as well as, considering the financial capability and good credit rating of Hongkun Weiye. The management of the Group consider that the default risk is low based on their probability of default and exposure of default.

At 1 January 2016, the Group entered into a loan agreement with a fellow subsidiary amounted to RMB30,000,000 in which the loan ("Loan 1") was reclassified from the amounts due from related parties (non-trade balance) brought forward from prior year. The Loan 1 was unsecured, interest bearing at 6% per annum for January and 10% per annum from February to December 2016 and repayable within one year. During the year ended 31 December 2016, the Group received an interest income of RMB2,736,000 from the fellow subsidiary.

On 1 January 2017, the Group entered into a supplemental loan agreement with the fellow subsidiary and both parties agreed to extend the maturity date of repayment of Loan 1 to 20 September 2017 and an additional loan of RMB3,700,000 ("Loan 2") lent to that fellow subsidiary by reclassifying from the amounts due from related parties. The Loan 2 was unsecured, interest bearing at 10% and repayable within one year. On 20 September 2017, both Loan 1 and Loan 2 with an aggregate loan principal of RMB33,700,000 were fully repaid and the Group received an aggregate loan interest income of RMB2,291,000 from the fellow subsidiary.

Except for the above Loan 1 and Loan 2, the Group's remaining amounts due from related parties (non-trade balances) as at 31 December 2016, 2017 and 2018 were unsecured, interest-free and repayment on demand. In the opinion of the directors of the Company, the amounts are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

The Group's non-trade amounts due from related parties as at 31 August 2019 were unsecured and interest-free. As represented by the directors of the Company, the amounts will be fully settled before Listing and therefore, the amounts are classified as current assets.

The Company's non-trade due from subsidiaries as at 31 August 2019 is unsecured and interest-free. In the opinion of the directors of the Company, the amounts are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

(b) *Amounts due to related parties*

The Group

	<u>At 31 December</u>			<u>At 31 August</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-trade nature				
Fellow subsidiaries	20,665	15,907	18,588	–
Immediate holding company	–	–	–	912
	<u>20,665</u>	<u>15,907</u>	<u>18,588</u>	<u>912</u>

The Company

	<u>At 31 December</u>			<u>At 31 August</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-trade nature				
A subsidiary	N/A	N/A	N/A	1,602
Immediate holding company	N/A	N/A	N/A	912
	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>2,514</u>

As represented by the directors of the Company, the non-trade amounts due to related parties are unsecured, interest-free and will be fully settled upon Listing.

The Company's non-trade amount due to immediate holding company as at 31 August 2019 was unsecured, interest-free and repayable on demand.

22. Bank Balances and Cash

The Group and the Company

The bank balances carry interest at variable rate with an average interest rate of 0.3%, 0.3%, 0.3% and 0.3% per annum, as at 31 December 2016, 2017, 2018 and 31 August 2019, respectively.

23. Trade and Other Payables and Contract Liabilities

(a) Trade and Other Payables

The Group

	NOTES	At 31 December			At 31 August
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Trade payables		9,589	15,625	19,955	21,345
Other payables:					
Receipts on behalf of residents	(a)	7,126	9,039	9,782	9,534
Deposits received	(b)	26,088	35,807	39,743	37,081
Payable on behalf of a fellow subsidiary	(c)	4,403	4,093	397	397
Accrued staff costs		5,302	8,351	9,368	5,137
Accrued contribution to social insurance and housing provident funds		5,499	5,643	5,810	6,226
Other tax payables		2,322	3,332	4,781	4,406
Accrued expenses		1,654	4,437	5,123	4,815
Accrued share issue costs and listing expenses		–	–	–	5,933
Other payables		106	242	244	111
Total other payables		52,500	70,944	75,248	73,640
Total trade and other payables		62,089	86,569	95,203	94,985
The Company					
Accrued share issue costs and listing expenses		N/A	N/A	N/A	5,933

Notes:

- (a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.
- (b) The balances mainly represented by the utility deposits received from the property-owners and residents. The deposits received are repayable on demand and accordingly the amounts are classified as current liabilities.

- (c) During the Track Record Period, the Group entered into an assets management agreement with a fellow subsidiary, pursuant to which the Group should pay the payroll, promotion fees and other expenses on behalf of the fellow subsidiary to suppliers and relevant staff and receive from the fellow subsidiary at cost. The balances represented the accrued payables to those counterparties on behalf of the fellow subsidiary.

The credit period granted by suppliers to the Group ranges from 30 days to 90 days during the Track Record Period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	9,300	14,887	19,066	20,721
1 – 2 years	289	568	379	329
2 – 3 years	–	170	379	170
Over 3 years	–	–	131	125
	<u>9,589</u>	<u>15,625</u>	<u>19,955</u>	<u>21,345</u>

(b) **Contract liabilities**

The contract liabilities represented the advance from customers for property management services, property developer related services and value-added services. The payment terms vary and depend on the terms of the Group's property management services contracts.

The movements in contract liabilities are as follows:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/ period	32,304	40,102	52,780	50,205
Receipt from customers upon entering property management contracts during the year/period	87,204	117,834	150,285	117,263
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	(32,283)	(39,126)	(49,765)	(44,124)
Revenue recognised during the year/period that was related to receipt from customers in the same year/period	<u>(47,123)</u>	<u>(66,030)</u>	<u>(103,095)</u>	<u>(63,734)</u>
At the end of year/period	<u>40,102</u>	<u>52,780</u>	<u>50,205</u>	<u>59,610</u>

When the Group receives advanced consideration from customers before the property management service activities commence, this will give rise to contract liabilities, until the revenue recognised on relevant contract upon provision of property management services.

All contract liabilities are expected to be recognised as revenue within one year.

24. Lease Liabilities

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current	3,436	2,653	1,750	1,220
Current	1,188	1,337	1,063	966
Total	<u>4,624</u>	<u>3,990</u>	<u>2,813</u>	<u>2,186</u>
	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payment due:				
– within one year	1,461	1,572	1,229	1,095
– more than one year but not exceeding two years	1,196	1,164	941	985
– more than two year but not exceeding five years	<u>2,735</u>	<u>1,794</u>	<u>966</u>	<u>326</u>
	5,392	4,530	3,136	2,406
Less: future finance charge	<u>(768)</u>	<u>(540)</u>	<u>(323)</u>	<u>(220)</u>
Present value of lease liabilities	<u>4,624</u>	<u>3,990</u>	<u>2,813</u>	<u>2,186</u>
	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of lease liabilities:				
– within one year	1,188	1,337	1,063	966
– more than one year but not exceeding two years	1,067	1,038	839	913
– more than two year but not exceeding five years	<u>2,369</u>	<u>1,615</u>	<u>911</u>	<u>307</u>
	<u>4,624</u>	<u>3,990</u>	<u>2,813</u>	<u>2,186</u>

The Group lease various properties to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Extension options are included in certain lease agreements entered by the Group. Periods covered by the extension options were included in these lease terms as the Group were reasonably certain to exercise the option at the lease commencement date.

The total cash outflows for leases for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2019 were RMB1,345,000, RMB1,667,000, RMB1,588,000 and RMB853,000, respectively.

25. Paid-up Capital/Share Capital

The Group

The paid-up capital as at 1 January 2016 and 31 December 2016 represented the paid up capital of Beijing Hongkun, Beijing Hongkun Property Management, Xianghe Hongkun, Dongfang Hongkun, Hongkun Business Management, Cloud Era and Hongkun Valley. The paid-up capital as at 31 December 2017 represented the paid up capital of Beijing Hongkun, Hongkun Business Management, Cloud Era and Hongkun Valley. The paid-up capital as at 31 December 2018 solely represented the paid up capital of Beijing Hongkun. The share capital as at 31 August 2019 represented the issued share capital of the Company comprising 10,000 ordinary shares of HK\$0.01 each.

The Company

The Company was incorporated in the Caymans Islands as an exempted company with limited liability on 26 March 2019, with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. As at the time of its incorporation, one share of the Company was allotted and issued to the initial subscriber who was an independent third party at par, which then transferred such share to Ascendor Futur at par.

On 31 May 2019, 8,354 additional shares were issued and fully paid, in which 7,925 shares were allotted to Ascendor Futur while 429 shares were allotted to Winz Strategy at par. On 3 June 2019, 1,645 additional shares were allotted and issued to Winz Strategy, all credited as fully paid Winz Strategy at par. Upon completion of such subscriptions, the Company was then owned as to 79.26% (7,926 shares) and 20.74% (2,074 shares) by Ascendor Futur and Winz Strategy, respectively.

Details of movements of authorised and issued share capital of the Company are as follows:

	<u>Number of shares</u>	<u>Share capital</u>	
		<i>HK\$</i>	<i>RMB'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
On the date of incorporation and 31 August 2019	<u>39,000,000</u>	<u>390,000</u>	
Issued and fully paid:			
On the date of incorporation	1	0.01	–
New ordinary shares issued on 31 May 2019	8,354	83.54	–
New ordinary shares issued on 3 June 2019	<u>1,645</u>	<u>16.45</u>	–
At 31 August 2019	<u>10,000</u>	<u>100.00</u>	–

All new shares rank *pari passu* with the existing shares in all respects.

26. Acquisition of Subsidiaries

- (a) On 20 September 2017, the Group acquired the entire issued share capital of Yichang Zhongxiang Property Management Co., Ltd. (“Yichang Zhongxiang”) from Yichang New Shougang Real Estate Development Co., Ltd., an independent third party at a cash consideration of RMB200,000 to expand its operation in Yichang, the PRC. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Yichang Zhongxiang became an indirect wholly-owned subsidiary of the Company. Yichang Zhongxiang is primarily engaged in the property management services in Yichang, the PRC.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	57
Trade and other receivables	4,270
Bank balances and cash	1,574
Trade and other payables	(3,676)
Contract liabilities	<u>(2,025)</u>
Total	<u><u>200</u></u>
Consideration transferred:	
Cash	<u><u>200</u></u>

The fair value of trade and other receivables at the date of acquisition amounted to RMB4,270,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB5,884,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,614,000.

	<i>RMB'000</i>
Net cash inflow arising on acquisition:	
Consideration paid in cash	(200)
Bank balances and cash acquired	<u>1,574</u>
	<u><u>1,374</u></u>

Included in the profit for the year ended 31 December 2017 was RMB1,654,000 attributable to the business generated by Yichang Zhongxiang. Revenue for the year ended 31 December 2017 includes RMB2,741,000 generated from Yichang Zhongxiang.

Had the acquisition been completed on 1 January 2017, revenue for the year ended 31 December 2017 would have been RMB196,291,000, and profit for the year ended 31 December 2017 would have been RMB35,272,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

- (b) On 1 January 2018, the Group acquired the entire issued share capital of Tianjin Hongsheng from Tianjin Hongsheng Investment Co., Ltd, an independent third party, at a cash consideration of RMB4,200,000 to expand into operation in Tianjin, the PRC. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Tianjin Hongsheng became an indirect wholly-owned subsidiary of the Company. Tianjin Hongsheng is primarily engaged in the property management services in Tianjin, the PRC.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	91
Trade and other receivables	4,113
Bank balances and cash	1,582
Trade and other payables	(1,071)
Contract liabilities	<u>(2,034)</u>
Total	2,681
Goodwill arising on acquisition (<i>Note 18</i>)	<u>1,519</u>
Consideration	<u><u>4,200</u></u>
Consideration transferred:	
Cash	<u><u>4,200</u></u>

The fair value of trade and other receivables at the date of acquisition amounted to RMB4,113,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB4,113,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

	<i>RMB'000</i>
Net cash outflow arising on acquisition:	
Consideration paid in cash	(4,200)
Bank balances and cash acquired	<u>1,582</u>
	<u><u>(2,618)</u></u>

Included in the profit for the year ended 31 December 2018 was RMB4,310,000 attributable to the additional business generated by Tianjin Hongsheng. Revenue for the year ended 31 December 2018 includes RMB10,888,000 generated from Tianjin Hongsheng.

Had the acquisition been completed on 1 January 2018, revenue for the year ended 31 December 2018 would have been RMB251,177,000, and profit for the year ended 31 December 2018 would have been RMB37,221,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

27. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Group's consolidated statements of cash flows from financing activities.

	At		Non-cash changes		At	
	1 January 2016	Financing cash flow	Interests on lease liabilities	Net increase of lease liabilities	31 December 2016	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Lease liabilities	5,091	(1,345)	333	545	4,624	
Amounts due to related parties						
– Non-trade	11,879	8,786	–	–	20,665	
	<u>16,970</u>	<u>7,441</u>	<u>333</u>	<u>545</u>	<u>25,289</u>	
Non-cash changes						
	At		Non-cash changes		At	
	1 January 2017	Financing cash flow	Interests on lease liabilities	Net increase of lease liabilities	Dividend declared	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Lease liabilities	4,624	(1,667)	315	718	–	3,990
Dividend payable	–	(46,000)	–	–	46,000	–
Amounts due to related parties						
– Non-trade	20,665	(4,758)	–	–	–	15,907
	<u>25,289</u>	<u>(52,425)</u>	<u>315</u>	<u>718</u>	<u>46,000</u>	<u>19,897</u>
Non-cash changes						
	At		Non-cash changes		At	
	1 January 2018	Financing cash flow	Interests on lease liabilities	Net increase of lease liabilities	31 December 2018	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Lease liabilities	3,990	(1,588)	245	166	2,813	
Amounts due to related parties						
– Non-trade	15,907	2,681	–	–	18,588	
	<u>19,897</u>	<u>1,093</u>	<u>245</u>	<u>166</u>	<u>21,401</u>	

	Non-cash changes								
	At 1 January 2019	Financing cash flow	Interests on lease liabilities	Net increase of lease liabilities	Accrued share issue costs	Non-trade amounts due to/from offsetting	Foreign exchange translation	Dividend declared	At 31 August 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accrued share issue costs	-	(5,609)	-	-	7,371	-	-	-	1,762
Dividend payable	-	(35,500)	-	-	-	-	-	35,500	-
Lease liabilities	2,813	(853)	115	111	-	-	-	-	2,186
Amounts due to related parties									
- Non-trade	18,588	2,847	-	-	-	(20,554)	31	-	912
	<u>21,401</u>	<u>(39,115)</u>	<u>115</u>	<u>111</u>	<u>7,371</u>	<u>(20,554)</u>	<u>31</u>	<u>35,500</u>	<u>4,860</u>

	Non-cash changes						
	At 1 January 2018	Financing cash flow	Interests on lease liabilities	Net increase of lease liabilities	At 1 August 2018		
	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)		
Lease liabilities			3,990	(1,059)	163	167	3,261
Amounts due to related parties							
- Non-trade			15,907	(747)	-	-	15,160
			<u>19,897</u>	<u>(1,806)</u>	<u>163</u>	<u>167</u>	<u>18,421</u>

28. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of non-trade amounts due to related parties, paid-up capital and reserves.

The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

29. Financial Instruments

a. Categories of financial instruments

The Group

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost	-	-	251,049	214,338
Financial assets at FVTPL	14,000	20,145	-	-
Loans and receivables at amortised cost	<u>156,834</u>	<u>185,076</u>	-	-
	<u>170,834</u>	<u>205,221</u>	<u>251,049</u>	<u>214,338</u>
Financial liabilities				
Amortised cost	<u>(69,631)</u>	<u>(85,150)</u>	<u>(93,832)</u>	<u>(74,195)</u>

The Company

	<u>At 31 December</u>			<u>At 31 August</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Financial assets at amortised cost	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>2,238</u>
Financial liabilities				
Amortised cost	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(2,514)</u>

b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, financial assets at FVTPL, amounts due from related parties, bank balances and cash, trade and other payables and amounts due to related parties. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate and foreign currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the Track Record Period. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed rate lease liabilities.

The management of the Group considered that interest rate risk of bank balances and lease liabilities are insignificant and accordingly no sensitivity analysis is presented.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from the assets and liabilities which are denominated in currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated monetary assets/liabilities are mainly bank balances and amount due to immediate holding company at the end of each reporting period and the carrying amounts are as follows:

	<u>At 31 December</u>			<u>At 31 August</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Hong Kong Dollars	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,215</u>
Liabilities				
Hong Kong Dollars	<u>-</u>	<u>-</u>	<u>-</u>	<u>(912)</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. The sensitivity rates used represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit for the year/period where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong Dollars				
Profit for the year/period	-	-	-	65

Other price risk

The Group is exposed to price risk through its financial assets at FVTPL. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks.

If the prices of the respective financial assets at FVTPL has been 5%, 5%, 5% and 5% higher/lower, profit and total comprehensive income for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2019 would increase/decrease by RMB700,000, RMB1,007,000, RMBnil, and RMBnil, respectively, as a result of the changes in fair value of financial assets at FVTPL.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the Group's price risk as it only reflects the impact of price changes to financial assets at FVTPL held at the end of each reporting period but not the exposure during the Track Record Period.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. However, the management of the Group will consider collateral or other credit enhancements should the need arise.

Before adoption of HKFRS 9 as at 1 January 2018

The Group had no concentration of credit risk in respect of trade and other receivables, with exposure spread over a number of customers, who are residents in the residential communities and commercial property developers and lessees of properties managed by the Group. However, the Group had concentration of credit risk in respect of amounts due from related parties. The details are disclosed in Note 21. The management of the Group considered that the credit risk of amounts due from related parties is insignificant after considering the credit quality and financial resources of these counterparties.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowances are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

After adoption of HKFRS 9 as at 1 January 2018

The Group has concentration of credit risk on amounts due from related parties as at 31 December 2018 and 31 August 2019 with details set out in Note 21. The management of the Group has made periodic individual assessment on recoverability based on historical settlement records, and adjusts for forward-looking information. The Group granted a credit period of 0 to 30 days to its related parties. The management of the Group consider that there is no default in repayment in the past, the financial capability and good credit rating of Hongkun Weiye. As a result, of the Group consider their probability of default and exposure of default are low, and accordingly, no impairment was recognised in respect of the amounts due from related parties.

In order to minimise the credit risk with the customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2016 and 2017: incurred loss model) on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience, contractual period of the receivables and forward-looking information, as appropriate, for example the Group has considered the consistently low historical default rate in connection with payments on behalf of residents, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant. The management of the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and probability of default is insignificant.

The management of the Group considers bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. The directors of the Company consider that the probability of default is negligible on the basis of high-credit-rating issuers during the Track Record Period.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All of the Group's liabilities except for lease liabilities set out in Note 24 are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are repayable on demand or within the credit period granted by suppliers at the end of each reporting period.

c. Fair value measurement of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets at fair value through profit or loss

	Fair value as at				Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	31 December			31 August			
	2016	2017	2018	2019			
	RMB'000	RMB'000	RMB'000	RMB'000			
Wealth management products issued by financial institutions (<i>Note 20</i>)	14,000	20,145	-	-	Level 3	Discounted cash flows – Future cash flows are estimated based on estimated return of which are determined by reference to the change in certain interest rates quoted in the market or the performance of underlying investments as specified in the relevant deposit placements, and discounted at a rate that reflects the credit risk of various counterparties.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the wealth management products and vice versa. (<i>Note</i>)

There were no transfer out of level 3 during the Track Record Period.

Note: A 10% increase in the discount rate holding all other variables constant would decrease the carrying amount of the financial assets at fair value through profit or loss by RMB368,000, RMB33,000, nil and nil for the years ended 31 December 2016, 2017, 2018 and the eight months ended 31 August 2019, respectively.

Reconciliation of level 3 fair value measurements:

The following table presents the reconciliation of Level 3 fair value measurements of the wealth management products classified as financial assets at FVTPL during the Track Record Period:

	<i>RMB'000</i>
At 1 January 2016	5,000
Purchase of wealth management products	18,000
Redemption of wealth management products	(10,081)
Fair value changes	<u>1,081</u>
At 31 December 2016	14,000
Purchase of wealth management products	24,000
Redemption of wealth management products	(18,604)
Fair value changes	<u>749</u>
At 31 December 2017	20,145
Purchase of wealth management products	94,000
Redemption of wealth management products	(115,773)
Fair value changes	<u>1,628</u>
At 31 December 2018 and 31 August 2019	<u><u>–</u></u>

30. Related Parties Disclosures*Related parties balances*

Other than the balances with related parties set out in Note 21, the Group also had the following related parties balances during The Track Record Period:

	At 31 December			At 31 August
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	3,649	2,950	2,211	1,554

Related parties transactions

During the Track Record Period, the Group entered into the following significant transactions with fellow subsidiaries of the Group as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Property management, property developer related and value-added services	40,434	74,659	91,232	55,270	59,335
Purchase of property, plant and equipment	1,073	–	–	–	–
Purchase of intangible assets (Note 15)	–	–	–	–	5,000
Interests on lease liabilities	261	215	174	116	87
Gain on fair value changes of financial assets at FVTPL (Note)	1,081	604	–	–	–
Interest income	2,736	2,291	–	–	–

Note: The amounts represented gain on fair value changes arising from wealth management products issued by a fellow subsidiary, which is a financial institution.

Compensation of key management personnel

The discretionary bonus of key management personnel during the Track Record Period was as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	1,622	2,906	3,443	2,433	3,070
Discretionary bonus	189	469	33	–	69
Contributions to retirement benefit scheme	584	422	639	380	565
	2,395	3,797	4,115	2,813	3,704

The discretionary bonus of key management personnel is determined by reference to the performance of individuals and market trend.

31. Particulars of subsidiaries

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Registered/Issued and paid-up capital	Equity interest attributable to the Group				At date of this report	Principal Activities	Notes
			At 31 December			At 31 August			
			2016	2017	2018	2019			
<i>Directly held:</i>									
Ye Xing Holdings	BVI 4 April 2019	USD0.01/USD0.01	N/A	N/A	N/A	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>									
Ye Xing (HK)	HK 12 April 2019	HKD10,000/ HKD10,000	N/A	N/A	N/A	100%	100%	Investment holding	(b)
北京鴻坤瑞邦物業管理有限公司 Beijing Hongkun*	The PRC 18 June 2003	RMB31,625,000/ RMB30,000,000	100%	100%	100%	100%	100%	Provision of property management services	(c)
北京鴻坤物業管理有限公司 Beijing Hongkun Property Management*	The PRC 16 July 2010	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	Provision of property management services	(d)
香河鴻坤物業服務有限公司 Xianghe Hongkun*	The PRC 25 April 2011	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Provision of property management services	(d)
東方鴻坤瑞邦物業服務有限公司 Dongfang Hongkun*	The PRC 11 October 2011	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Provision of property management services	(e)
宜昌中翔物業管理有限公司 Yichang Zhongxiang*	The PRC 21 November 2012	RMB3,000,000/ RMB500,000	N/A	100%	100%	100%	100%	Provision of property management services	(e)
天津鴻盛物業服務有限公司 Tianjin Hongsheng*	The PRC 27 December 2013	RMB5,000,000/ RMB5,000,000	N/A	N/A	100%	100%	100%	Provision of property management services	(e)
鴻坤(北京)商業管理有限公司 Hongkun Business Management*	The PRC 17 December 2008	RMB3,000,000/ RMB3,000,000	100%	100%	100%	100%	100%	Provision of property management services	(d)
北京鴻坤谷企業運營管理有限公司 Hongkun Valley*	The PRC 18 February 2016	RMB5,000,000/Nil	100%	100%	100%	100%	100%	Provision of property management services	(e)
北京雲時代企業運營管理有限公司 Cloud Era*	The PRC 19 February 2016	RMB5,000,000/Nil	100%	100%	100%	100%	100%	Provision of property management services	(e)
北京鴻坤有愛家家政服務有限公司 Beijing Hongkun Love Housekeeping Home Economics Service Company Limited*	The PRC 23 March 2017	RMB500,000/ RMB500,000	N/A	51%	N/A	N/A	N/A	Deregistered	(e)
河北鴻坤諾登機械設備安裝工程有限 公司 Hebei Hongkun Norden*	The PRC 13 July 2017	RMB1,000,000/ RMB1,000,000	N/A	55%	N/A (Note f)	N/A	N/A	Provision of equipment installation service	(e)
天津鴻美佳商貿有限公司 Tianjin Hongmeijia Trading Co., Ltd.*	The PRC 6 March 2015	RMB300,000/ RMB3,000	100%	N/A	N/A	N/A	N/A	Deregistered	(e)
天津鴻泰套餐飲服務有限公司 Tianjin Hongtai Catering Service Co., Ltd.*	The PRC 6 March 2015	RMB300,000/ RMB297,000	100%	N/A	N/A	N/A	N/A	Deregistered	(e)
天津原鄉農莊有限公司 Tianjin Yuanxiang Farms Co., Ltd.*	The PRC 27 June 2014	RMB6,000,000/ RMB2,587,083	100%	100%	N/A	N/A	N/A	Deregistered	(e)
涿州市鴻咖啡餐飲服務有限公司 Zhuozhou Hong Coffee Catering Service Co., Ltd.*	The PRC 27 June 2014	RMB300,000/ RMB300,000	100%	100%	N/A	N/A	N/A	Deregistered	(e)

* The English name is for identification purpose only.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

- a. No audited financial statements of Ye Xing Holdings have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- b. No statutory financial statements of Ye Xing (HK) for the years ended 31 December 2016, 2017 and 2018 as Ye Xing (HK) was incorporated during the period ended 31 August 2019.
- c. The statutory financial statements for the year ended 31 December 2016 was audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), a firm of certified public accountant registered in the PRC. No statutory financial statements for the years ended 31 December 2017 and 2018 were available as there was no requirement to issue audited accounts by the local authorities.
- d. The statutory financial statements for the years ended 31 December 2016 and 2017 were audited by BDO China Shu Lun Pan Certified Public Accountants(立信會計師事務所), a firm of certified public accountant registered in the PRC. No statutory financial statements for the year ended 31 December 2018 were available as there was no requirement to issue audited accounts by the local authorities.
- e. No statutory financial statements for the years ended 31 December 2016, 2017 and 2018 were available as there was no requirement to issue audited accounts by the local authorities.
- f. The subsidiary was disposed of on 25 December 2018, details are set out in Note 32.

32. Disposal of a subsidiary

On 25 December 2018, Beijing Hongkun agreed to transfer its 55% equity interest in Hebei Hongkun Norden to Guangzhou Norden, which was an independent third party and the non-controlling shareholder of Hebei Hongkun Norden at a cash consideration of RMB275,000. The net assets of Hebei Hongkun Norden at the date of disposal were as follow.

	<i>RMB'000</i>
Consideration:	
Cash	<u>275</u>
Analysis on assets and liabilities over which the control lost:	
Property, plant and equipment	5
Trade and other receivables	1,502
Bank balances and cash	244
Trade and other payables	(1,315)
Contract liabilities	<u>(4)</u>
Net assets disposed of	<u>432</u>
Gain on disposal of a subsidiary:	
Cash consideration	275
Net assets disposed of	(432)
Non-controlling interests	<u>194</u>
Gain on disposal (<i>Note 7(b)</i>)	<u>37</u>
Net cash outflow arising on disposal:	
Cash consideration	275
Less: receivable from disposal of a subsidiary (<i>Note 19</i>)	(275)
Less: bank balances and cash disposed of	<u>(244)</u>
	<u>(244)</u>

33. Major Non-cash Transactions

On 1 January 2016, pursuant to Loan 1 in Note 21(a), the Group lent a loan of RMB30,000,000 to a fellow subsidiary by reclassifying from the amounts due from related parties. On 1 January 2017, pursuant to Loan 2 in Note 21(a), both parties agreed to extend the maturity date of repayment of Loan 1 to 20 September 2017 and an additional loan of RMB3,700,000 lent to that fellow subsidiary by reclassifying from the amounts due from related parties.

On 31 August 2019, the Company entered into an offsetting agreement with Beijing Herun Assets Management Company Limited, ultimate holding company of the fellow subsidiaries, pursuant to which the non-trade amounts due to fellow subsidiaries (included in amounts due to related parties) of RMB20,554,000 had been settled by offsetting with the amounts due from fellow subsidiaries at aggregate amount of RMB127,066,000 as at 31 August 2019.

34. Reserves of The Company

	<u>Share premium</u>	<u>Accumulated loss</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 26 March 2019 (date of incorporation)	–	–	–
Arising from issue of new shares pursuant to Group Reorganisation (Note)	46,606	–	46,606
Loss and total comprehensive expense for the period	<u>–</u>	<u>(12,659)</u>	<u>(12,659)</u>
At 31 August 2019	<u>46,606</u>	<u>(12,659)</u>	<u>33,947</u>

Note: On 31 May 2019, each of Ascendor Futur Holding Limited (“Ascendor Futur”) and Winz Strategy entered into a subscription agreement, pursuant to which Ascendor Futur and Winz Strategy agreed to subscribe 7,925 and 429 shares of the Company at a consideration equivalent to RMB30,000,000 and RMB1,625,000 respectively, which were determined with the reference to the then registered share capital of Beijing Hongkun. The aggregate subscription price was settled on 3 June 2019. On 3 June 2019, the Company and Winz Strategy entered into a subscription agreement, pursuant to which Winz Strategy agreed to subscribe 1,645 shares of the Company at a consideration of approximately HK\$17,028,000 (equivalent to RMB14,981,000). Such consideration was fully settled by cash on 6 June 2019.

35. Investment in subsidiaries

	<u>At 31 August 2019</u>
	<i>RMB'000</i>
Unlisted shares, at cost	<u>–</u>
Deemed contribution	<u>31,625</u>
	<u>31,625</u>

Investment in subsidiaries represents: (1) the investment in Ye Xing Holdings for its issued share capital of US\$0.01 as at 31 August 2019; (2) deemed contribution to Ye Xing (HK) to acquire entire equity interest in Beijing Hongkun.

36. Directors' Remuneration

The directors estimate that under the current proposed arrangement, the aggregate basis annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the directors will be approximately RMB1,186,000 for the year ended 31 December 2019.

37. Events after the Reporting Period

Save as elsewhere disclosed in this report, events and transaction took place subsequent to 31 August 2019 are details as below:

On 17 February 2020 and 22 February 2020, written resolutions of the shareholders of the Company were passed to approve the matters set out in the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 3. Written resolution of the shareholders" in Appendix V to this prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$5,000,000 divided into 500,000,000 Shares by the creation of a further 461,000,000 shares;
- (ii) conditional on the share premium account being credited as a result of the Global Offering, it was authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 299,990,000 shares for allotment and issue to shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on 17 February 2020 and 22 February 2020; and
- (iii) conditionally approved and adopted a Share Option Scheme, the principal terms of which are set out in the section headed "D. Share option scheme" in Appendix V to the Prospectus.

The outbreak of a respiratory illness caused by a novel coronavirus, or known as the COVID-19, in China, has affected many businesses to different extent. As the Group's business are all in various locations in the mainland where different precautionous measures were imposed by local governments, all at once or implemented at different stages depending on the latest development, the Group's ability to serve its customers may be largely depending on various government measures and continuous supply from its suppliers and the availability of workforce, which may be affected by the temporary suspension of supplier's plant and/or travel restrictions and home quarantine requirements. Due to the inherent unpredictable nature and rapid development relating to the novel coronavirus and its pervasive impact, the Group has taken action to negotiate with its major suppliers and employees to confirm continuous and adequate supply of goods and manpower. Provided the suppliers could continue to supply to the Group and workforce remains available, the Group is confident that the event would not have a material impact on the Group's operations. The Group will closely monitor in this regard and seek alternative supply of goods and manpower if necessary. Details of the management of the Company's evaluation on the COVID-19 are disclosed in the "RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE" under the "Summary" section of the Prospectus.

Subsequent to 31 August 2019 and up to the date of this report, the Group has non-trade related funding transfer with related parties as follows: (i) related parties have repaid approximately RMB170,022,000 in aggregate to the Group, and the Group has advanced approximately RMB180,166,000 in aggregate to related parties; and (ii) the Group has repaid approximately RMB912,000 in aggregate to the related party. All the balances are unsecured, interest free and repayable on demand. The directors of the Company have agreed with the related parties on the timing of repayment and represented to us that such balances will be settled on or before Listing.

38. Subsequent Financial Statements

No audited financial statements of the Company, any of its subsidiaries or the Group has been prepared in respect of any period subsequent to 31 August 2019.

The information set out in this appendix does not form part of the accountant's report on the financial information of our Group for each of the three years ended 31 December 2018 and the eight months ended 31 August 2019 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29(7) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 31 August 2019.

The audited 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, may not give a true picture of the financial position of the Group as at 31 August 2019 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2019 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2019 RMB'000 (Note 1)	Estimated net proceeds from the Global Offering RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2019 RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2019 per Share	
				RMB (Note 3)	HK\$ (Note 4)
Based on a maximum offer price of HK\$1.58 per Share	64,462	114,264	178,726	0.45	0.49
Based on a minimum offer price of HK\$1.32 per Share	64,462	93,396	157,858	0.39	0.43
Based on an offer price of HK\$1.25 per Share after a Downward Offer Price Adjustment of 5%	64,462	87,778	152,240	0.38	0.42

Notes:

(1) The amount is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 August 2019 of RMB70,814,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus and adjusted for intangible assets and goodwill as at 31 August 2019 of RMB4,833,000 and RMB1,519,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on 100,000,000 Shares to be issued at a minimum offer price of HK\$1.32 or a maximum offer price of HK\$1.58 per Share, respectively, and also based on an offer price of HK\$1.25 per Share after making a Downward Offer Price Adjustment of 5% after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group (excluding those have been charged to profit or loss up to 31 August 2019 by the Group) and does not take into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Company's general mandate.

All the amounts stated in this note are based on the translation of Hong Kong dollars into RMB at an exchange rate of RMB1.00 to HK\$1.0964 (being the exchange rate prevailing on 31 August 2019 extracted from www.oanda.com). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at this rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2019 per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the proposed Global Offering and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased pursuant to the Company's general mandates granted to the Directors to allot and issue or repurchase Shares as referred to in "General mandate to issue Shares" or "General mandate to repurchase Shares" in this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share amounts in RMB are converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK\$1.0964 (being the exchange rate prevailing on 31 August 2019). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rate or at all.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2019.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2019 has been prepared on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering, as if it had taken place on 1 January 2019. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Estimated consolidated profit attributable

to owners of the Company (*Note 1*) Not less than RMB25.8 million

Unaudited pro forma estimated earnings per Share

for the year ended 31 December 2019 (*Note 2*) Not less than RMB0.06

Notes:

- (1) The bases on which the above profit estimate has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2019 based on the audited consolidated results for the eight months ended 31 August 2019 and the unaudited consolidated results based on management accounts of the Group for four months ended 31 December 2019. The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2019 has taken into account expected listing expenses of approximately RMB15.8 million incurred for the year ended 31 December 2019.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended 31 December 2019 attributable to owners of the Company, assuming that a total of 400,000,000 Shares had been in issue during the entire year. The calculation of the estimated earnings per Share does not take into account of any Shares which (i) may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued upon exercise of the Over-allotment Option; or (ii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of our Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Ye Xing Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ye Xing Group Holdings Limited (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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 August 2019 and the unaudited pro forma estimate earnings per share for the year ended 31 December 2019 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 28 February 2020 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing by way of global offering on the Group's financial position as at 31 August 2019 and the Group's estimated earnings per share for the year ended 31 December 2019 as if the proposed transaction had taken place at 31 August 2019 and 1 January 2019, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2018 and the eight months ended 31 August 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated profit of the Group attributable to owners of the Company for the year ended 31 December 2019, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29(7) of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2019 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(7) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28 February 2020

The estimate of our consolidated profit attributable to owners of our Company for the year ended 31 December 2019 is set out in “Financial information – Profit estimate for the year ended 31 December 2019” in this prospectus.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors have prepared the estimate of our consolidated profit for the year ended 31 December 2019 based on the audited consolidated results of our Group for the eight months ended 31 August 2019 and the unaudited consolidated results based on the management accounts of our Group for the remaining four 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 our Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

**Year ended
31 December 2019**

Estimated consolidated profit attributable
to owners of our Company

Not less than
RMB25.8 million

Note: The estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2019 has taken into account expected listing expenses of approximately RMB15.8 million incurred for the year ended 31 December 2019.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for including in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in relation to our Group's profit estimate for the year ended 31 December 2019.

Deloitte.**德勤**

28 February 2020

The Board of Directors
Ye Xing Group Holdings Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman
KY1-1108
Cayman Islands

Alliance Capital Partners Limited (the “**Sponsor**”)
Room 1502-03A
15/F Wing On House
71 Des Voeux Road Central
Hong Kong

Dear Sirs,

Ye Xing Group Holdings Limited (the “**Company**”)**Profit Estimate for Year Ended 31 December 2019**

We refer to the estimate of the consolidated profit of the Group attributable to owners of the Company for the year ended 31 December 2019 (the “**Profit Estimate**”) set forth in the section headed Financial Information in the prospectus of the Company dated 28 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 eight months ended 31 August 2019 and the unaudited consolidated results based on the management accounts of the Group for the remaining four 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 (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” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting 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 and assumptions 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 and assumptions 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 28 February 2020, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
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 Alliance Capital Partners Limited, the Sole Sponsor, in relation to our Group's profit estimate for the year ended 31 December 2019.



Alliance Capital Partners Limited
同人融資有限公司

The Directors
Ye Xing Group Holdings Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman
KY1-1108
Cayman Islands

28 February 2020

Dear Sirs,

We refer to the estimate of the consolidated profit of Ye Xing Group Holdings Limited (the “**Company**”, together with its subsidiaries, hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 28 February 2020 (the “**Prospectus**”).

The Profit Estimate, for which the Directors are solely responsible, has been prepared by the Directors, based on the audited consolidated results for the eight months ended 31 August 2019 and the unaudited consolidated results based on the unaudited management accounts of the Group for the four months ended 31 December 2019.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 28 February 2020 addressed to you and us from Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Alliance Capital Partners Limited
David Tsang
Managing Director

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 March 2019 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 February 2020. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
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The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

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The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 26 March 2019 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 13 May 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 March 2019. Our Company's registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Unit 612, 6/F CC Wu Building, 302-8 Hennessy Road, Wan Chai, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 21 May 2019. Our Company has appointed Ms. Li Yin Ping as its authorised representative for the acceptance of service of process and notice in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and our Company's constitution, which comprises the Memorandum and the Articles. A summary of various parts of our Company's constitution 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

As at the date of incorporation of our Company, its authorised share capital was HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each. Following its incorporation, one fully-paid Share was allotted and issued to the first subscriber, an Independent Third Party, which was subsequently transferred to Ascendor Futur at par on 26 March 2019.

On 31 May 2019, our Company allotted and issued an aggregate of 7,925 and 429 fully-paid Shares to Ascendor Futur and Winz Strategy, respectively, pursuant to their respective subscription of the share capital of our Company, the aggregate subscription price of which was for the purpose of funding the acquisition of Beijing Hongkun by Ye Xing (HK). On 3 June 2019, our Company further allotted and issued an aggregate of 1,645 fully-paid Shares to Winz Strategy pursuant to the subscription agreement of even date.

Pursuant to the written resolutions of our Shareholders passed on 17 February 2020, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$5,000,000 divided into 500,000,000 Shares by the creation of additional 461,000,000 Shares. Such Shares shall rank *pari passu* in all respects with the existing issued Shares.

Immediately following 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 and any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$5,000,000 divided into 500,000,000 Shares and the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid. Save as disclosed above, and in "History, Reorganisation and corporate structure" and "Share capital" in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, and in “History, Reorganisation and corporate structure” and “Share capital” in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders

Resolutions in writing were passed by our Shareholders on 17 February 2020 and 22 February 2020, respectively, pursuant to which, among other matters:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles, which will become effective on the Listing Date, the terms of which are summarised in Appendix V to this prospectus;
- (b) the authorised share capital of our Company be and are hereby increased from HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 Shares of par value HK\$0.01 each, by the creation of additional 461,000,000 Shares of par value HK\$0.01 with immediate effect. Such Shares shall rank *pari passu* in all respects with the existing issued Shares; and
- (c) conditional on (i) the Listing Department of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or the Over-allotment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue such Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement to the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of 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 and to appropriate such amount as capital to pay up in full at par 299,990,000 Shares for allotment and issue to our Shareholder(s) whose name(s) appear on the register of members of our Company in the Cayman Islands at close of business on the date this resolution was passed in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should each rank *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distribution, and the Capitalisation Issue was approved;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any shares allotted and issued in lieu of the whole or part of a dividend on shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or under the Global Offering or the Capitalisation Issue) Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase the Shares with an aggregate number of Shares not exceeding 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to such 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 number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option; and
- (vii) the Underwriting Agreements, subject to such amendments thereto as may be approved by any two executive Directors, were approved and that any two executive Directors were authorised to sign the same for and on behalf of our Company, and when required, affix the seal of our Company thereon; and any two executive Directors were authorised to approve, execute, ratify and arrange the issue of any documents in relation to or incidental to the Underwriting Agreements.

4. Corporate Reorganisation

In preparation of the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure. Please refer to "History, Reorganisation and corporate structure" in this prospectus for further details.

5. Our subsidiaries

Our Company's subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in "History, Reorganisation and corporate structure" in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of our Shareholders passed on 17 February 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase up to 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option) as described above in “A. Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders” in this appendix. The Repurchase Mandate will remain in effect during the relevant period.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws of the Cayman Islands. Our 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 as amended from time to time.

Subject to the foregoing, under the Companies Law, any repurchase by our Company may be made out of our profits, our Company's share premium account and/or the proceeds of a fresh issue of the Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital 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 the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Suspension of repurchase

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for any year, half-year or quarter-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) 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 on the Stock Exchange.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(e) General

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates, has any present intention, to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, 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 on its gearing levels which in the opinion of our Directors are from time to time appropriate for 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, the Memorandum, the Articles and all applicable laws of the Cayman Islands amended from time to time.

If, as a result of repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interests of our Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not presently aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our 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.

No repurchase of Shares has been made since the incorporation of our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) the equity transfer agreement dated 18 January 2018 and entered into between Tianjin Hongsheng Investment Group Company Limited* (天津鴻盛投資集團有限公司) as transferor and Beijing Hongkun as transferee, relating to the transfer of the entire equity interest in Tianjin Hongsheng;
- (b) the equity transfer agreement dated 25 December 2018 and entered into between Beijing Hongkun as transferor and Guangzhou Norden as transferee, relating to the transfer of 55% of the equity interest in Hebei Norden at a consideration of RMB275,000;
- (c) the equity transfer agreement dated 28 December 2018 (sic) and entered into between Beijing Hongkun Innovation Industry as transferor and Beijing Hongkun as transferee, supplemented by a deed of confirmation dated 25 December 2018 entered into between the same parties, relating to the transfer of the entire equity interest in Beijing Cloud Era at a consideration of RMB6.4 million;

- (d) the equity transfer agreement dated 28 December 2018 (sic) and entered into between Beijing Hongkun Innovation Industry as transferor and Beijing Hongkun as transferee, supplemented by a deed of confirmation dated 25 December 2018 entered into between the same parties, relating to the transfer of the entire equity interest in Beijing Hongkun Valley at a consideration of RMB7.3 million;
- (e) the equity transfer agreement dated 28 December 2018 and entered into between Hongkun Jituan as transferor and Beijing Hongkun as transferee, relating to the transfer of the entire equity interest in Hongkun (Beijing) Business Management at a consideration of RMB5.8 million;
- (f) the capital injection agreement dated 18 February 2019 and entered into among Winz Strategy as investor, Ningxia Yirun, Beijing Yirun Venture Capital, Hongkun Jituan and Beijing Hongkun Investment Centre as existing shareholders, and Beijing Hongkun, relating to the acquisition of approximately 5.14% of the enlarged equity interest of Beijing Hongkun by Winz Strategy at a cash consideration equivalent to RMB2.6 million (equivalent to HK\$2.9725 million);
- (g) the equity transfer agreement dated 20 May 2019 and entered into between Ningxia Yirun, Beijing Yirun Venture Capital, Hongkun Jituan, Beijing Hongkun Investment Centre and Winz Strategy as transferors, and Ye Xing (HK) as transferee, relating to the transfer of the entire equity interest in Beijing Hongkun at a consideration of RMB31.625 million;
- (h) the subscription agreement dated 31 May 2019 and entered into between Ascendor Futur and our Company, relating to the subscription of 7,925 Shares of our Company by Ascendor Futur at a consideration equivalent to RMB30 million;
- (i) the subscription agreement dated 31 May 2019 and entered into between Winz Strategy and our Company, relating to the subscription of 429 Shares of our Company by Winz Strategy at a consideration equivalent to RMB1.625 million;
- (j) the subscription agreement dated 3 June 2019 and entered into between Winz Strategy and our Company, relating to the subscription of 1,645 Shares in our Company by Winz Strategy at a consideration of HK\$17.0275 million;
- (k) the cornerstone investment agreement dated 23 February 2020 and entered into between our Company, Successful Lotus Limited, Alliance Capital and Huatai Financial (for itself and on behalf of the Joint Global Coordinators), pursuant to which Successful Lotus Limited agreed to acquire the maximum number of Shares that may be purchased with HK\$21,000,000 at the Offer Price, rounded down to the nearest board lot of Shares;
- (l) the Deed of Indemnity; and
- (m) the Public Offer Underwriting Agreement.









2. Intellectual property of our Group


(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademark which, in the opinion of our Directors, is or may be material to our business:







Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Expiry date
	4632168	36	Beijing Hongkun	PRC	21 December 2008	20 December 2028

As at the Latest Practicable Date, our Group was granted the licences to the uses of the following trademarks in the PRC:

Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Expiry date
	11424432	35	Hongkun Weiye	PRC	7 February 2014	6 February 2024
	11424464	36	Hongkun Weiye	PRC	7 February 2014	6 February 2024
	11424499	37	Hongkun Weiye	PRC	7 February 2014	6 February 2024
	13632929	41	Hongkun Weiye	PRC	21 February 2015	20 February 2025
	13632928	43	Hongkun Weiye	PRC	21 February 2015	20 February 2025
	13632927	45	Hongkun Weiye	PRC	14 February 2015	13 February 2025
	13633264	37	Hongkun Weiye	PRC	21 February 2015	20 February 2025
	13633263	41	Hongkun Weiye	PRC	14 June 2015	13 June 2025

Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Expiry date
 鸿坤 HONGKUN	13633262	45	Hongkun Weiye	PRC	21 February 2015	20 February 2025
鸿坤	5498946	36	Hongkun Weiye	PRC	21 November 2009	20 November 2029
鸿坤	5498947	37	Hongkun Weiye	PRC	21 November 2009	20 November 2029
鸿坤	13633243	41	Hongkun Weiye	PRC	14 June 2015	13 June 2025
鸿坤	13633242	45	Hongkun Weiye	PRC	21 February 2015	20 February 2025

As at the Latest Practicable Date, our Group was granted the licences to the uses of the following trademarks in Hong Kong:

Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Expiry date
 鸿坤 HONGKUN  鸿坤 HONGKUN	304931686	36, 37, 41 and 45	Hongkun Jituan	Hong Kong	21 May 2019	20 May 2029
鸿坤 鴻坤	304931695	36, 37, 41 and 45	Hongkun Jituan	Hong Kong	21 May 2019	20 May 2029
 	304931703	35, 36, 37, 41, 43 and 45	Hongkun Jituan	Hong Kong	21 May 2019	20 May 2029
 鸿坤 HONGKUN  鸿坤 HONGKUN	304931677	35, 36 and 42	Hongkun Jituan	Hong Kong	21 May 2019	20 May 2029
HONGKUN	304956788	35, 36, 37, 41, 42, 43 and 45	Hongkun Jituan	Hong Kong	12 June 2019	11 June 2029

As at the Latest Practicable Date, our Group has applied for the registration of the following trademark:

Trademark	Application Number	Class	Name of applicant	Place of application	Date of application
鴻生活	41895864	45	Beijing Hongkun	PRC	25 October 2019

(b) Software copyright

As at the Latest Practicable Date, our Group was the registered owner of the following software copyright in the PRC:

Software copyright	Name of registered owner	Registration number	Place of registration	First publication date
H-Butler* 鴻管家APP (Android version)	Beijing Hongkun	2018SR872356	PRC	30 April 2018
H-Butler* 鴻管家 APP (IOS version)	Beijing Hongkun	2018SR842824	PRC	30 April 2018
Hongkunhui* 鴻坤薈APP (Android version)	Beijing Hongkun	2018SR872352	PRC	30 June 2018
Hongkunhui* 鴻坤薈APP (IOS version)	Beijing Hongkun	2018SR842835	PRC	30 June 2018

As at the Latest Practicable Date, our Group was granted the following copyrighted software owned by Hongkun Jituan in the PRC:

Software copyright	Name of registered owner	Registration number	Place of registration	First publication date
Hongxin* 鴻信APP (IOS version)	Hongkun Jituan	2018SR842854	PRC	5 January 2018
Hongxin* 鴻信APP (Android version)	Hongkun Jituan	2018SR770095	PRC	5 January 2018
Hongkun Jituan Expenses Control System* 鴻坤集團費控管理系統	Hongkun Jituan	2018SR827349	PRC	30 July 2018

(c) Patents

As at the Latest Practicable Date, our Group had not registered patents which we consider to be or may be material to our business.

(d) Domain names

As at the Latest Practicable Date, our Group was the registered owner of the following domain name:

Domain name	Name of registered owner	Date of registration	Expiry date
hongkunwuye.com	Beijing Hongkun	7 August 2015	7 August 2023

Save as disclosed above, there are no other trade or services marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of substantial Shareholders in the share capital of our Company*

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which are 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 which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group will be as follows:

Name of Shareholder	Nature of interests	Number of Shares held after the Global Offering and Capitalisation Issue (L) ^{Note 1}	Approximate percentage of shareholding after the Global Offering
Ascendor Futur	Beneficial owner ^{Note 2}	237,780,000	59.45%
Will Full	Interest in a controlled corporation ^{Note 2}	237,780,000	59.45%
Ms. Wu Hong	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	237,780,000	59.45%
Mr. Zhao Bin	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	237,780,000	59.45%
Winz Strategy	Beneficial owner ^{Note 3}	62,220,000	15.55%
Ms. Wang Qian	Interest of spouse ^{Note 4}	237,780,000	59.45%
Mr. Chan Sheung Chi	Interest of spouse ^{Note 5}	62,220,000	15.55%

Notes:

1. The letter “L” denotes the long position in our Shares.
2. Ascendor Futur is wholly and beneficially owned by Will Full. Will Full is beneficially owned by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin as to 98.62%, 1.00% and 0.38%, respectively. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin together indirectly control all the Shares held by Ascendor Futur through Will Full. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin are parties acting in concert pursuant to the Deed of Acting in Concert. By virtue of the SFO, each of Will Full, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin is deemed to be interested in the same number of Shares in which Ascendor Futur is interested.
3. Winz Strategy is wholly and beneficially owned by Ms. Li Yin Ping. By virtue of the SFO, Ms. Li Yin Ping is deemed to be interested in the same number of Shares in which Winz Strategy is interested.
4. Ms. Wang Qian is the spouse of Mr. Zhao Weihao. Ms. Wang Qian is deemed to be interested in the same number of Shares in which Mr. Zhao Weihao is interested by virtue of the SFO.
5. Mr. Chan Sheung Chi is the spouse of Ms. Li Yin Ping. Mr. Chan Sheung Chi is deemed to be interested in the same number of Shares in which Ms. Li Yin Ping is interested by virtue of the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or the Over-allotment Option, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Capitalisation Issue and the Global Offering have interests or short positions in the Shares and 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 which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will immediately following completion of the Capitalisation Issue and the Global Offering be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any member of our Group.

2. Interests and short positions of our Directors and chief executive of our Company in the share capital, underlying Shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), the interests and short positions of each of our Directors and chief executive of our Company in the share capital, 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 he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required, to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers are set out as follows:

Interests in our Company

Name of Director	Nature of interest	Number of Shares held after the Global Offering and Capitalisation Issue (L) ^(Note 1)	Approximate percentage of shareholding after the Global Offering
Mr. Zhao Weihao	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	237,780,000	59.45%
Ms. Li Yin Ping	Interest in a controlled corporation ^{Note 3}	62,220,000	15.55%

Notes:

- The letter "L" denotes the long position in our Shares.
- Upon completion of the Capitalisation Issue and the Global Offering, Ascendor Futur will directly hold 237,780,000 Shares. Ascendor Futur is wholly and beneficially owned by Will Full, which is in turn beneficially owned by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin as to 98.62%, 1.00% and 0.38%, respectively. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin together indirectly control all Shares held by Ascendor Futur. Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin are parties acting in concert pursuant to the Deed of Acting in Concert. By virtue of the SFO, each of Will Full, Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin is deemed to be interested in the same number of Shares in which Ascendor Futur is interested.
- Upon completion of the Capitalisation Issue and the Global Offering, Winz Strategy will directly hold 62,220,000 Shares. Winz Strategy is wholly and beneficially owned by Ms. Li Yin Ping. By virtue of SFO, Ms. Li Yin Ping is deemed to be interested in the same number of Shares in which Winz Strategy is interested.

Interests in associated corporations of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares held (L) ^(Note 1)	Percentage of shareholding
Mr. Zhao Weihao	Ascendor Futur	Interest held jointly with another person; interest in a controlled corporation ^{Note 2}	1	100%

Notes:

1. The letter "L" denotes the long position in the share.
2. Ascendor Futur is wholly and beneficially owned by Will Full, which is in turn beneficially owned by Mr. Zhao Weihao, Ms. Wu Hong and Mr. Zhao Bin as to 98.62%, 1.00% and 0.38%, respectively.

Save as disclosed above, immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange once our Shares are listed.

3. Particulars of Directors' service agreements and Directors' remuneration

(a) Director's service agreements

Each of our executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from 17 February 2020 and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other, which notice shall not expire until after initial fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of one year commencing from 17 February 2020, which may be terminated by not less than 7 days' notice in writing served by either party on the other.

(b) Director's remuneration

The remuneration of our executive Directors are determined based on the relevant Director's experience, responsibility, workload and the time devoted to our Company.

For the Track Record Period, the aggregate amount paid to our Directors (who are also our senior management) as remuneration (including salaries, allowances, discretionary bonus and other benefits in kind, and pension scheme contributions) were approximately RMB0.9 million, RMB1.6 million, RMB1.2 million and RMB0.8 million, respectively.

For the year ended 31 December 2019, the estimated total compensation payable to our Directors amounts to approximately HK\$1.3 million (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period immediately preceding the issue of this prospectus.

The basic annual remuneration (subject to annual review and excluding any discretionary bonus) payable by our Group to each of our Directors is as follows:

	Annual remuneration
Executive Directors	
Ms. Wu Guoqing	RMB1,150,000
Mr. Zhao Weihao	HK\$480,000
Ms. Li Yin Ping	HK\$480,000
Independent non-executive Directors	
Mr. Cheung Wai Hung	HK\$120,000
Mr. Chan Cheong Tat	HK\$120,000
Ms. Chen Weijie	HK\$120,000

4. Related party transaction

For details of the related party transactions of our Group entered into within the Track Record Period immediately preceding the date of this prospectus, please refer to the Accountants' Report set out in Appendix I to this prospectus and "Connected transactions" in this prospectus for further details.

5. Disclaimers

Save as disclosed in this appendix and in “Business – customers” in this prospectus:

- (a) none of our Directors or the experts named in “E. Other information – 7. Qualifications of experts” in this appendix is directly or indirectly interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this prospectus acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or the experts named in “E. Other information – 7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or their associates or existing Shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any other interest in any of the five largest customers of our Group;
- (d) none of our Directors or their associates or the existing Shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Group; and
- (e) none of our Directors has any existing or proposed service contracts with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME**(i) Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to any employee, adviser, consultant, service provider, agent, client, partner or joint-venture partner of our Company or any of our subsidiaries (including any Director or any director of our subsidiaries) who is in full-time or part-time employment with or otherwise engaged by our Company or any Subsidiary at the time when an option is granted to such person under the Share Option Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to our Group (the “**Eligible Participants**”) to subscribe for the Shares thereby linking their interest with that of our Group.

(b) *Grant and acceptance of options*

Subject to the terms of the Share Option Scheme, our Directors may, in their absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) *Subscription price of Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the Listing Date. On the basis of a total of 400,000,000 Shares in issue as at the Listing Date, the relevant limit will be 40,000,000 Shares which represent 10% of the issued Shares at the Listing Date. Our Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

- (ii) Our Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the Listing Rules from time to time.
- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.
- (iv) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (v) The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

(f) Restrictions on the time of grant of options

A grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately before the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual announcement, and ending in the date of such results announcement.

(g) Rights are personal to grantees

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

(h) Rights on ceasing employment

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of the Group into disrepute).

(i) Rights on death

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of the Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

(j) Cancellation of options

Our Board may, with the consent of the relevant grantee in writing, at any time at its absolute discretion, cancel any option granted but not exercised.

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of our Company as mentioned in paragraph (d) above.

(k) Effect of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
- (ii) the subscription price; and/or
- (iii) the maximum number of Shares referred to in paragraph d(i); and/or
- (iv) the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser or the auditors shall be made, provided that:

- (i) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
 - (ii) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (iii) no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (iv) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (v) to the advantage in any respect of the grantee without specific prior approval of the Shareholders.
- (B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial advisers or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(I) Rights on a general offer

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

(m) Rights on winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid and register the grantee as holder of such Shares.

(n) Rights on a compromise or arrangement

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice. But the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

(o) Rights on a scheme of arrangement

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(p) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the exercise date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

(q) Duration and administration of the Share Option Scheme

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls 10 years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(r) Alterations to the terms of the Share Option Scheme

- (i) The provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of our Company's shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Company's shareholders in general meeting; and
- (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Department granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) commencement of dealings of Shares on the Stock Exchange; and
- (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any conditions by Huatai Financial (for itself and on behalf of the Underwriters)) and not being terminated in accordance with their terms or otherwise.

(t) *Grant of options to connected persons or any of their associates*

Each grant of options to a Directors, chief executive or substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that such grantee, his associates or core connected person of our Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial Shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

(u) Lapse of option

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);
- (viii) the date on which the grantee commits a breach of paragraph (g); or

(ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) *Termination*

Our Company may by an ordinary resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Disputes*

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) *Present status of the Share Option Scheme*

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Global Offering and Capitalisation Issue.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(z) *Disclosure in annual and interim reports*

Our Directors shall procure that details of the Share Option Scheme and other schemes of our Company and its subsidiaries are disclosed in the annual reports and interim reports of our Company in compliance with the Listing Rules in force from time to time.

Our Board confirms that the Board will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the Listing Rule.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Indemnity on estate duty and taxation

Our Controlling Shareholders have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for ourselves and as trustee as our subsidiaries) in connection with, among others,

- (a) the amount of any of all taxation falling on any of member of our Group (i) resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”); (ii) resulting from or by reference to any event occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with another event or other events; (iii) in respect of or in consequence of any act or omission of any member of our Group regarding the inter-companies transactions on or before the Effective Date; (iv) in conjunction with any other circumstances whenever occurring and whether or not such taxation liabilities are chargeable against or attributable to any other person, firm or company, including any and all taxation liabilities resulting from the receipt by any member of our Group of any amounts paid by our Controlling Shareholders under the Deed of Indemnity; or (v) by reason of any transfer of any property to any member of our Group or to any other person, entity, or company made or deemed to have been made on or before the Effective Date, whether or not such taxation liabilities are chargeable against or attributable to any other person, firm or company, unless such liability to taxation is also discharged by such other person, firm or company;
- (b) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdictions outside Hong Kong) to a member of our Group on or before the Listing;

- (c) all actions, claims, losses, damages, costs (including all legal costs), expenses, demands, proceedings, judgments, charges, fees, penalties, fines or other liabilities which any of the member of our Group may make, suffer, or incur in connected with but without limitation to the generality of the foregoing (i) the investigation, assessment or the contesting of any taxation claim; (ii) the settlement of any taxation claim under the Deed of Indemnity; (iii) any litigation, arbitration, legal proceedings and/or non-compliance of any member of our Group with any applicable laws, rules and regulations in Hong Kong or any other jurisdictions by any member of our Group on or before the Effective Date, including without limitation all incidents of non-compliance, violation or breach as disclosed in this prospectus, in which any of the member of our Group claims under or in respect of the Deed of Indemnity and in which award, decision or judgement is given for any of the member of our Group; (iv) the enforcement of any such settlement, judgement or award; and (v) the revocation and refusal of the registration and/or failure to fulfil licensing requirements for the operation of any member of our Group;
- (d) all claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from any possible or alleged violation or non-compliance in relation to (i) the applicable laws and regulations of Hong Kong; (ii) the Predecessor Companies Ordinance; (iii) the Companies Ordinance; (iv) the Companies (WUMP) Ordinance; and (v) any other non-compliance of any of the member of our Group to applicable laws and regulations on or before the Effective Date, whether or not such non-compliance has been disclosed in this prospectus;
- (e) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, interests, penalties and fines of whatever nature suffered or incurred by any of member of our Group as a result of or in connected with any litigation, arbitration, claims (including counter-claims), complaints, demands, and/or legal proceedings instituted by or against our Company or any member of our Group on or before the Effective Date; and
- (f) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), costs, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation on or before the Effective Date.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited consolidated accounts of our Company for the Track Record Period as set out in Appendix I to this prospectus;

- (b) for which any of the members of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (c) to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the effective date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of our Controlling Shareholders other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the effective date, or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the effective date or pursuant to any statement of intention made in this prospectus; or
- (d) to the extent of any provision, reserve or allowance made for such taxation liabilities in the accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case our Controlling Shareholders' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of our Controlling Shareholders under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; or

to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, the Cayman Islands and the BVI, or any other part of the world) coming into force after the effective date or to the extent that such taxation liabilities and claims arise or is increased by an increase in rates of such taxation liabilities after the effective date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI, the PRC and Hong Kong, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Company.

3. Sponsor

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees to be paid to the Sole Sponsor in relation to its role as sponsor in the Listing are HK\$5.5 million. The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Offer Shares and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Alliance Capital as our compliance adviser to provide consultancy 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 our financial results for the first full financial year commencing after the Listing.

5. Promoter

Our Company has no promoter for purposes of the Listing Rules.

6. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$80,000 and are payable by our Company.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus, all of which are dated the date of this prospectus:

Name	Qualification
Alliance Capital Partners Limited	Corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants Registered public interest entity auditors
Appleby	Cayman Islands attorney-at-law
Jingtian & Gongcheng (北京市競天公誠律師事務所)	PRC legal advisers
China Insights Industry Consultancy Limited	Industry consultant

8. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its report and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Agency fees or commissions

The Underwriters will receive an underwriting commission as referred to in “Underwriting – Underwriting arrangements and expenses – Underwriting commission and expenses” in this prospectus.

11. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to 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 enable the Shares to be admitted into CCASS for clearing and settlement.

12. Miscellaneous

- (a) Save as disclosed above, and in “History, Reorganisation and corporate structure”, “Share capital” and “Financial information” in this prospectus, 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, agreed to be issued or is proposed 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 or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of its subsidiaries;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save for the listing expenses as set out in “Financial information – Listing expenses” in this prospectus and the recent development of our Group as set out in “Summary – Recent development and material adverse change” in this prospectus, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

- (c) None of the persons named in “E. Other information – 7. Qualifications of experts” in this appendix:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) our Company has no outstanding convertible debt securities;
- (f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (g) 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.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the Application Forms;
- (b) copies of each of the material contracts referred to in “B. Further information about our business – 1. Summary of material contracts” in Appendix V to this prospectus; and
- (c) the written consents referred to in “E. Other information – 8. Consents of experts” in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Fairbairn Catley Low & Kong at 23/F, Shui On Centre, 6 – 8 Harbour Road, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. Monday to Friday, other than Hong Kong public holidays, up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group for each of the three years ended 31 December 2018 and the eight months ended 31 August 2019 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2018 and the eight months ended 31 August 2019;
- (d) the letter on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit estimate received from Deloitte Touche Tohmatsu and the Sole Sponsor, the text of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (g) the rules of the Share Option Scheme;
- (h) the Companies Law;
- (i) the material contracts referred to in “B. Further information about our business – 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in “E. Other information – 8. Consents of experts” in Appendix V to this prospectus;

- (k) the PRC legal opinions issued by Jingtian & Gongcheng, legal advisers to our Company as to PRC laws, in respect of certain aspects of our Group and our property interests;
- (l) the service agreements and letters of appointment referred to in “C. Further information about our Directors and substantial Shareholders – 3. Particulars of Directors’ service agreements and Directors’ remuneration” in Appendix V to this prospectus; and
- (m) the CIC Report.



Ye Xing Group Holdings Limited

燁星集團控股有限公司