THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hevol Services Group Co. Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN A PROPERTY MANAGEMENT COMPANY IN THE PRC AND NOTICE OF EGM

Financial adviser to the Company

中毅資本有限公司
Grand Moore Capital Limited

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out from pages 4 to 19 of this circular.

A notice convening the EGM of the Company to be held at 16th Floor, Block D, Newlogo International Building, No. 18A Zhongguancun South Street, Haidian District, Beijing, People's Republic of China on Tuesday, 11 January 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

22 December 2021

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquisition"	the acquisition of the 70% equity interest of the Target Company by the Purchaser from the Sellers, as contemplated under the Sales and Purchase Agreement
"Board"	the board of Directors of the Group
"Brilliant Brother"	Brilliant Brother Group Limited, the controlling shareholder of the Company
"Closing"	closing of the Acquisition, which took place on 2 August 2021
"Company"	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Conditions"	please refer to the paragraph headed "Conditions" in this circular
"Connected Person(s)"	has the same meaning as ascribed thereto under the Listing Rules
"Consideration"	the consideration of RMB156,800,000 for the Acquisition
"COVID-19"	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting to be convened by the Company on Tuesday, 11 January 2022 at 10:00 a.m. for the consideration and the approval of, among other things, the transactions contemplated under the Sales and Purchase Agreement
"Enlarged Group"	the Group after Closing
"Excluded Group Companies"	please refer to the paragraph headed "Reorganisation and the Excluded Group Companies" in this circular
"GFA"	gross floor area
"Group"	the Company and its subsidiaries

"Guizhou Furuiying" or "Purchaser"	Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈信息諮詢有限公司), a company established as a limited liability company under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	16 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Reorganisation"	please refer to the paragraph headed "Reorganisation and the Excluded Group Companies" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Sales and Purchase Agreement"	the Sales and Purchase Agreement dated 22 July 2021 entered into by the Purchaser, the Sellers and the Target Company, in relation to the Acquisition, on the terms and conditions set out therein
"Seller A"	Mr. Qu Peijun* (屈培軍先生), an individual who resides in the PRC and owns (i) 92.7536% of the equity interest of the Target Company as at the date of the Sales and Purchase Agreement and (ii) 30% equity interest of the Target Company upon Closing and as at the Latest Practicable Date
"Seller B"	Ms. Fan Dexin* (范德新女士), an individual who resides in the PRC and owns (i) 7.2464% of the equity interest of the Target Company as at the date of the Sales and Purchase Agreement and (ii) no equity interest of the Target Company upon Closing and as at the Latest Practicable Date
"Sellers"	collectively, Seller A and Seller B
"Share(s)"	ordinary shares of US$0.00001 each in the capital of the Company
"Shareholder(s)"	registered holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Guiyang Xinglong Property Management Co., Ltd.* (貴陽興隆物業管理有限公司), a company incorporated in the PRC with limited liability and is owned (i) collectively by the Sellers as at the date of the Sales and Purchase Agreement and (ii) 30% by Seller A and 70% by the Purchaser upon Closing and as at the Latest Practicable Date
"Target Group"	The Target Company and its subsidiary, namely Guizhou Zhongtie Xinglong Property Management Co., Ltd.* (貴州中鐵興隆物業管理有限公司) after the Reorganisation
"US$"	United States Dollars, the lawful currency of the United States
"%"	per cent.

* *For Identification purposes only*

HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6093)

Executive Directors:
Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Director:
Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors:
Dr. Chen Lei
Mr. Fan Chi Chiu
Dr. Li Yongrui
Mr. Qian Hongji

Registered office:
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
Room 2609
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

22 December 2021

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN A PROPERTY MANAGEMENT COMPANY IN THE PRC

INTRODUCTION

References are made to the announcements of the Company dated 22 July 2021, 12 August 2021, 16 August 2021, 24 September 2021, 15 December 2021 and 17 December 2021 in relation to the Acquisition (the "**Announcements**").

On 22 July 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Sellers and the Target Company entered into the Sales and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the total equity interest (as to 62.7536% from Seller A and 7.2464% from Seller B) of the Target Company. Closing of the Acquisition took place on 2 August 2021. Immediately following the Closing, the Target Group has become an indirect non-wholly owned subsidiary of the Company and the results and assets and liabilities of the Target Group has been consolidated into the consolidated financial statement of the Company.

The purpose of this circular is to provide you with further details of the Acquisition and the Target Group. No general meeting was originally proposed to approve the Acquisition as the Company obtained written approval for the Acquisition on 22 July 2021 in accordance with Rule 14.44 of the Listing Rules from its controlling Shareholder, Brilliant Brother, which held more than 50% of the issued Shares of the Company as at the date of such approval. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting in respect of the approval of the Acquisition. Pursuant to Rule 14.86 of the Listing Rules, if a qualified opinion is issued in the accountants' report in respect of the Acquisition, the Company is required to convene a general meeting to obtain Shareholders' approval for the Acquisition. Although Closing already took place on 2 August 2021, as the Company's gesture to use its best efforts to comply with the Shareholders' meeting requirements under Rules 14.67(6)(a)(i) and 14.86 of the Listing Rules given the subsequent Qualified Opinion (as defined below), the Company is now proposing that the EGM will be held for all Shareholders to participate. Please refer to the paragraph headed "QUALIFIED OPINION AND COMPLIANCE ON RULE 14.67(6)(a)(i) OF THE LISTING RULES" in this letter for further details.

THE ACQUISITION

The Sales and Purchase Agreement

Date 22 July 2021 (after trading hours)

Parties

(1) Guizhou Furuiying, an indirect wholly-owned subsidiary of the Company (as Purchaser)

(2) Seller A and Seller B

(3) The Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and the Target Company and their respective ultimate beneficial owners (if applicable) were third parties independent of the Company and its Connected Persons as at the date of the Sales and Purchase Agreement. Upon Closing and as at the Latest Practicable Date, Seller A was interested in a 30% equity interest in the Target Company, an indirect non-wholly owned subsidiary of the Company. Accordingly, Seller A is a Connected Person of the Company at subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

Asset to be acquired

Pursuant to the Sales and Purchase Agreement, the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the total equity interest (as to 62.7536% from Seller A and 7.2464% from Seller B) of the Target Company as at the date of the Sales and Purchase Agreement.

The Consideration and payment terms

The total Consideration payable by the Purchaser to the Sellers for the Acquisition is RMB156,800,000, which has been/will be satisfied in the following manner:

(i) an amount of RMB56,800,000, which represents approximately 36.2% of the Consideration, has been paid within three working days upon signing of the Sales and Purchase Agreement;

(ii) an amount of RMB50,000,000, which represents approximately 31.9% of the Consideration, has been paid within three working days upon (a) fulfilment of all the Conditions or (b) the date of written waiver from the Purchaser; and

(iii) the remaining amount of RMB50,000,000, which represents approximately 31.9% of the Consideration, will be paid within three working days after six months from the date of the second payment and the Target Company's bank accounts remained active and not sealed or frozen.

The Consideration payable by the Purchaser to Seller A and Seller B for the Acquisition has been/will be paid in proportion to the respective equity interest in the Target Company sold by each of Seller A and Seller B.

The Group has been settling the Consideration by the net proceeds from placing of shares which was announced on 14 January 2021 and completed on 5 February 2021 and internal resources of the Group.

Debt Arrangement

Pursuant to the Sales and Purchase Agreement, the Sellers confirm that the debts of the Target Company (including contingent debts and debts that are materialized after the Completion but arose prior to the Completion) incurred before the Completion ("**Pre-completion Debts**") shall be borne by Seller A. If the Target Company pays the expenses as a result of the Pre-completion Debts on behalf of the Sellers, Seller A shall compensate the Target Company in full within 10 business days after receiving the written notice by the Target Company.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Sellers after considering the following factors: (i) the unaudited consolidated net profits after tax of the Target Company (excluding the Excluded Group Companies (as defined below)) for the year ended 31 December 2020 in the amount of approximately RMB15.5 million; (ii) the preliminary draft valuation of 70% of the Target Group of approximately RMB238.5 million as at 31 March 2021 based on the market approach complied by an independent valuer (please refer to Appendix V to this circular for the final valuation of 70% of the Target Group of approximately RMB358.8 million as at 31 March 2021); and (iii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition" in this "Letter from the Board" in this circular.

In arriving at the Consideration's discount of approximately 34.3% to the preliminary draft valuation of 70% of the Target Group, the Board and Seller A have considered the following factors:

(i) the historical weakness in management fee collection execution despite its strong property management project bidding capability, which had always been a difficulty to the then management and owners of the Target Group, and the then management and owners of the Target Group had considered several remedial actions to enhance the management fee collection efficiency without much success. Meanwhile, the Group has an experienced and competent property management team and considered the current management fee collection situation of the Target Group not difficult to improve. For Shareholders' information, following Closing on 2 August 2021 and with new mechanism and procedures implemented by the Group's property management team, the recovery rate of outstanding management fee during the three months period from August to October 2021 for the management fee invoiced before 31 December 2020 and yet to receive on 31 December 2020 (i.e. the balance of accounts receivables as at 31 December 2020) amounts to around 20%, as compared to around 13% during the three months period from August to October 2020 for the management fee invoiced before 31 December 2019 and yet to receive on 31 December 2019, representing an improvement of approximately 53.8%. Meanwhile, the Group also noted the weakness in book keeping by the original finance team of the Target Group, which was considered by the Board as historical issue and will be improved following Closing when the Group commenced implementing record keeping procedures of listed issuer standard on the Target Group. In view of the above, the Board and the Sellers agreed that (a) the Target Group's unaudited trade receivables of approximately RMB73,565,000 as at 31 March 2021; and (b) a further amount of approximately RMB8,135,000 as compensation to the Group's efforts in the improvement and enhancement of the Target Group's trade receivables recovery measures and procedures, shall be deducted from the preliminary draft valuation of 70% of the Target Group as at 31 March 2021 in the determination of the Consideration which has therefore resulted in the aforementioned 34.3% discount;

(ii) Seller A retaining a 30% interest in the Target Group upon Closing, the listed platform of the Company is expected to enhance the profile and further enhance the project bidding capability of the Target Group post Closing, while the Group's experienced and competent property management team will enhance the management fee collection and record keeping mechanism and procedures of the Target Group (which have been difficult to the Target Group's previous majority owners and management), which in turn is expected to further improve the Target Group's profitability to be shared by Seller A;

(iii) the Group's management had a plan to expand its geographical presence in western region of the PRC since October 2020, where the Group announced acquisitions of 51% equity interest in a property management company in Guizhou and 60% equity interest in a property management company in Sichuan in October 2020 and December 2020, respectively. While the Group considered the historical management fee collection weakness of the Target Group not material and irremediable after assessment, the Acquisition of Target Group with strong presence and strong property management project bidding capability in Guizhou Province of the PRC is appraised by the Board as an important step in the Group's geographical expansion plan in western region of the PRC; and

(iv) the Pre-completion Debts will be fully borne by Seller A as disclosed in the paragraph headed "Debt Arrangement" above.

After arms' length negotiations between the relevant parties, Seller A is willing to accept certain degree of discount on the Consideration given Seller A's own limitation and the potential of the Target Company following the Acquisition and the Consideration was ultimately set at RMB156,800,000 which represents a discount of approximately 34.3% to the aforementioned preliminary draft valuation of 70% of the Target Group of approximately RMB238.5 million (please refer to Appendix V to this circular for the final valuation of 70% of the Target Group of approximately RMB358.8 million as at 31 March 2021).

Shareholders should note that during the course of negotiation with Seller A, the Board successfully bargained a downward adjustment of approximately 34.3% to the preliminary draft valuation of 70% of the Target Group of approximately RMB238.5 million in view of the factors discussed above. Meanwhile, the Board had also considered an adjustment mechanism in respect of the Consideration where the final Consideration is to be adjusted based on the Target Group's audited profit so as to protect the Company's interest in the event that the audited profit falls short of the unaudited figures used in the determination of the Consideration. After having considered any downward adjustment mechanism requested by the Group will inevitably result in a reciprocal upward adjustment mechanism requested by the Sellers, the Board came to the conclusion that such Consideration adjustment mechanism may not necessarily work in the favour of the Group when the Board already managed to bargain the 34.3% discount of the Consideration to the preliminary draft valuation. Accordingly, no such mechanism has been included in the Sale and Purchase Agreement in the end. The attention of the Shareholders is drawn to the fact that the final audited net profit of the Target Group for the year ended 30 December 2020 is indeed higher than that in the unaudited management accounts for the year ended 30 December 2020 and so did the normalized 12-month net profit for the 12-month ended 31 March 2021 as adopted in the final valuation of the Target Group in Appendix V to this circular as compared to that for the 12-month ended 31 March 2021 adopted by the independent valuer in the preliminary draft valuation. Given the lack of any adjustment mechanism on the Consideration which may work upwards or downwards, the Sellers who determined the disposal consideration based on the then management accounts of the Target Group, has no contractual right to request for upward adjustment of the Consideration, which is considered by the Board to be favorable to the Group.

In assessing the fairness and reasonableness of the Consideration, the Directors have also considered the reasons for the capital deficiencies of the Target Group and the amount of Adjusted NAV (as defined below) as illustrated in the section headed "Financial information on the Target Group" in this circular. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

Payment of the second instalment in the amount of RMB50,000,000 was conditional upon fulfilling the followings within 10 business days upon payment of the first instalment in the amount of RMB56,800,000:

(i) completion of the Industrial and Commercial Transfer Registration (as defined below) and the 70% equity interests of the Target Company is registered under Guizhou Furuiying; and

(ii) the Target Company having successfully appointed and register new senior management team appointed by the Purchaser and Seller A.

Closing

Pursuant to the Sales and Purchase Agreement, (i) within 10 business days from the date of the Sales and Purchase Agreement, the Sellers and the Target Company shall prepare all information and documents for the purpose of application for the industrial and commercial registration (the "**Industrial and Commercial Transfer Registration**") and (ii) within 15 business days from the date of the Sales and Purchase Agreement, all parties to the Sales and Purchase Agreement shall submit to the relevant regulatory body all information and documents required for the Industrial and Commercial Transfer Registration.

Closing took place on 2 August 2021. Immediately following the Closing, the Target Company has become an indirect non-wholly owned subsidiary of the Company and the results and assets and liabilities of the Target Group have been consolidated into the consolidated financial statements of the Company.

INFORMATION ABOUT THE PARTIES TO THE SALES AND PURCHASE AGREEMENT

Information of the Group and Guizhou Furuiying

The Group is a reputable market player in the property management industry in the PRC providing property management services, community-related value-added services and value-added services for non-property owners in the PRC.

Guizhou Furuiying is an investment holding company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company.

Information of the Target Group

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a property management company and located in Guiyang, Guizhou province, the PRC, with not less than 10.1 million square meters of contracted GFA and 6.4 million square meters of GFA under its management as at the Latest Practicable Date.

Guizhou Zhongtie Xinglong Property Management Co., Ltd.* (貴州中鐵興隆物業管理有限公司) ("**Guizhou Zhongtie PM**") is a company incorporated in the PRC with limited liability. Its equity interest is held as to 81% by the Target Company and 19% by Longli County Tiewujian Real Estate Development Co., Ltd* (龍里縣鐵五建置業有限責任公司) ("**Longli Tiewujian**"), which is an independent third party to the Group and its Connected Persons. Guizhou Zhongtie PM is principally engaged in property management services in the PRC.

Reorganisation and the Excluded Group Companies

Pursuant to the Sales and Purchase Agreement, the following group companies (the "**Excluded Group Companies**") have been/will be spun off from the Target Company within 1 year from the Closing (the "**Reorganisation**") such that the Target Group will only consist of the Target Company and Guizhou Zhongtie PM:

No.	Name of the Excluded Group Companies	Equity interest held by the Target Company
1	Chengdu Kairuier Pharmaceutical Technology Co., Ltd.* (成都凱瑞爾醫藥科技有限公司)	63.64%
2	Guizhou Zhongtie Jida Real Estate Development Co., Ltd.* (貴州中鐵吉達房地產開發有限公司)	55%
3	Guizhou Xinglong Youzhi Property Management Co., Ltd.* (貴州興隆優智物業服務有限公司) ("**Guizhou Xinglong Youzhi PM**")	49%
4	Guizhou Zhongtie Xingya Asset Management Co., Ltd.* (貴州中鐵興亞資產管理有限公司) ("**Guizhou Zhongtie Xingya AM**")	30%
5	Guizhou Xinglong Yishenghuo Technology Property Services Co., Ltd.* (貴州興隆逸生活科技物業服務有限公司)	30%
6	Guizhou Huaxin Financing Guarantee Co., Ltd.* ("**Guizhou Huaxin**") (貴州華信融資擔保有限公司)	17.92%
7	Guizhou Taihai Hejia Property Management Co., Ltd.* (貴州台海合家物業服務有限公司)	5%
8	Guizhou Xinglong Housekeeping Co., Ltd.* (貴州興隆家政服務有限公司)	100%
9	Guizhou Province Wenshui Hotel Management Co., Ltd.* *(Note 1)* (貴州省問水酒店管理有限責任公司) ("**Guizhou Province Wenshui HM**")	18.69% *(Note 1)*
10	Guizhou Henghui Property Management Services Co., Ltd.* *(Note 2)* (貴州恒滙物業管理服務有限公司) ("**Guizhou Henghui PMS**")	24.99% *(Note 2)*

Note 1 Guizhou Province Wenshui HM is an indirect non-wholly owned subsidiary of the Target Company. Its equity interest is held as to 19% by Guizhou Zhongtie PM and 11% by Guizhou Zhongtie Xingya AM, both are direct non-wholly owned subsidiaries of the Target Company, 33% as to Zhongtie Guizhou Tourism Culture Development Co., Ltd.* (中鐵貴州旅遊文化發展有限公司), 32% as to 鄭慶貴 and 5% as to Guizhou Houde Hotel Management Co., Ltd.* (貴州厚德酒店管理有限公司), who are independent third parties of the Group. The effective interest of the Target Company in Guizhou Province Wenshui HM is 18.69%.

Note 2 Guizhou Heughui PMS is an indirect non-wholly owned subsidiary of the Target Company. Its equity interest is held as to 51% by Guizhou Xinglong Youzhi PM, a direct non-wholly owned subsidiary of the Target Company, and 49% as to Luodian County Immigration Continuous Development Co., Ltd.* (羅甸縣移民後續發展有限責任公司), an independent third party of the Group. The effective interest of the Target Company in Guizhou Henghui PMS is 24.99%.

The aforesaid Excluded Group Companies are engaged in, among others, property investment businesses and other businesses. As the Group is primarily engaged in property management and seeks to devote its resources to the development of its property management business at the present, after arms' length discussions among the Sellers, the Purchaser and the Target Company, the Target Company is going through the Reorganisation such that the Excluded Group Companies have been/will be spun off from the Target Company within 1 year from the Closing. The Sellers and the Purchaser agreed that any and all profits and loss generated by the Excluded Group Companies during such transitional period shall be the sole responsibility of the Sellers, and all the operations of the Excluded Group Companies shall be carried out by the Sellers. Accordingly, the financial statements of the Excluded Group Companies have not been consolidated into that of the Group upon Closing. In addition, pursuant to the terms of the Sales and Purchase Agreement, certain properties of the Target Company in the aggregate cost of approximately RMB14,676,000 (the "**Excluded PPE**") have been reserved by the Vendors and excluded from the Target Company in the Acquisition. As the Group is only interested in the Target Group's property management business which is not asset-oriented but service-oriented, the exclusion of the Excluded PPE from the Acquisition is in line with the Group's purpose of acquisition of the Target Group. Accordingly, the Excluded PPE which had been accounted for as property, plant and equipment has been set off with the reserve account and no longer appears in the statement of financial position of the Target Company as set out in Appendix II to this circular.

Financial information on the Target Group

The table below sets out certain combined financial information of the Target Company (excluding the Excluded Group Companies and the Excluded PPE) for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021 as extracted from Appendix II to this circular:

	Six months ended 30 June		**The year ended 31 December**	
	2020	**2021**	**2019**	**2020**
	(unaudited)	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(Loss) before taxation	10,380	(34,511)	20,474	28,564
Profit/(Loss) after taxation	9,632	(34,669)	19,701	25,737

The audited combined capital deficiencies of the Target Company (excluding the Excluded Group Companies and the Excluded PPE) as at 30 June 2021 is approximately RMB62.9 million.

The capital deficiencies of the Target Group are mainly due to (i) the legal claims made during prior years in the aggregate amount of approximately RMB37,750,000 as a result of the Target Group's provision of financial guarantee to Guizhou Huaxin, which was an investee of the Target Company and forms part of the Excluded Group Companies, i.e. an independent third party, which had been charged through the Target Group's profit or loss in the six months ended 30 June 2021 in the capacity as the guarantor (please refer to note 25 to the financial statements of the Target Group in Appendix II to this circular for further details) and reduced the balance of reserve account; (ii) the expected credit loss ("**ECL**") charged through profit or loss for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021 in the aggregate amount of approximately RMB29,206,000, which in turn reduced the reserve account; and (iii) the exclusion of Excluded PPE in the amount of approximately RMB14,676,000 from the Target Group's property, plant and equipment which has been set off with the Target Group's reserve account.

Regarding the provision for legal claim in the aggregate amount of approximately RMB37,750,000 as a result of the Target Group's provision of financial guarantee to an independent third party prior to the entering into of the Sales and Purchase Agreement, which forms part of the Pre-completion Debts, should the legal claim materializes and the Target Company is required to settle the legal claim in the aggregate amount of approximately RMB37,750,000, such amount will be fully compensated by Seller A pursuant to the terms and conditions of the Sales and Purchase Agreement (for illustrative purpose, please refer to note 3(c) to the unaudited pro forma consolidated statement of financial position in Appendix IV to this circular). Apart from that, (i) the first and second instalments of the Consideration in the aggregate amount of RMB106,800,000 has been paid to the Sellers, of which an amount of RMB95,744,064 has been Seller A's entitlement proportionately; and (ii) the final instalment of the Consideration in the amount of RMB50,000,000 will be paid by the Group within three working days after six months from the date of the second payment i.e. 3 August 2021 and the Target Company's bank accounts remained active and not sealed or frozen. In view of the above, the Board believes that (i) Seller A has sufficient financial resource to honor his responsibility arising out of the Pre-completion Debts as legally bounded in the Sales and Purchase Agreement, and (ii) the final instalment of the Consideration of RMB50,000,000 which remains unpaid as at the Latest Practicable Date is much more than the possible legal claim in the aggregate amount of approximately RMB37,750,000, which offers the Group enough protection via potentially setting off against the legal claim, if materialized.

Regarding the ECL charged through profit or loss for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021 in the aggregate amount of approximately RMB29,206,000, the Board is fully aware of that, and notices that the Target Group has a weakness in management fee collection execution despite its strong property management project bidding capability. Since Closing, the Group has been utilizing its expertise in property management from an experienced and competent property management team to enhance the management fee collection internal control mechanism and procedures of the Target Group, including but not limited to incentive gifts to residents of outstanding management fee, discount on management fee to encourage early or punctual payment and bonus system to incentivise the front line staff to collect outstanding management fee. Given the above, the Directors are confident that the Target Group will be able to (i) collect the long outstanding management fee receivables incurred for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021 and if necessary, by way of enforcement actions such as suspension of electricity supply, water supply and facility booking rights of the concerned residents and after taking appropriate legal advice, commencing legal actions should the above incentives fail to produce result for certain residents, and (ii) gradually improve the degree of ECL going forward.

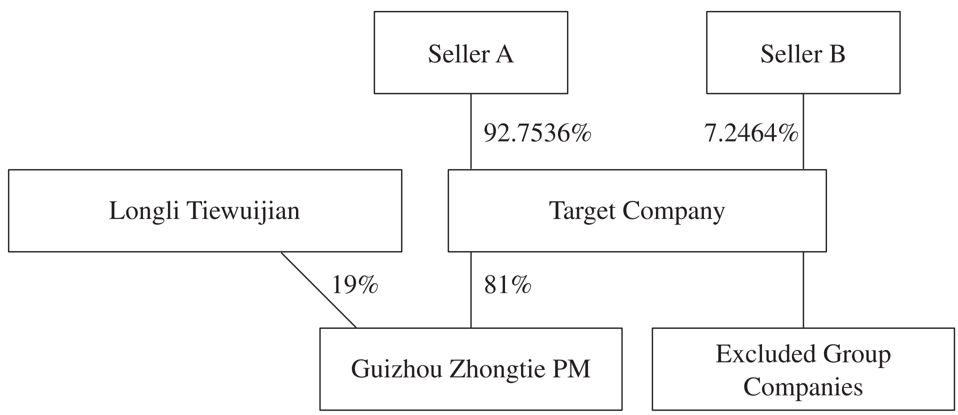
Regarding the Excluded PPE, the Company has agreed with the Sellers pursuant to the terms of the Sales and Purchase Agreement to exclude the Excluded PPE from the Acquisition. The exclusion of the Excluded PPE (which did not contribute any meaningful revenue to the Target Group's property management business during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021) is in line with the Group's intention to acquire a property management business, which is service-oriented and not asset-oriented, for its future income stream.

For illustrative purpose only, assuming the provisional for legal claim in aggregate of approximately RMB37,750,000 and the ECL charged through profit or loss for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021 in the aggregate amount of approximately RMB29,206,000 are added back to the capital deficiencies of the Target Group of approximately RMB62.9 million as at 30 June 2021, the Target Group will be in a hypothetical net assets position of approximately RMB4.1 million as at 30 June 2021 (the "**Adjusted NAV**").

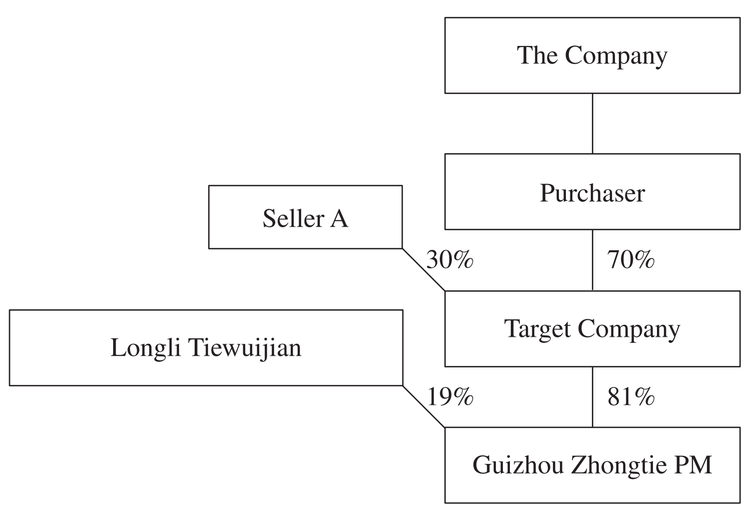
In addition, as set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place on 30 June 2021, the Group's total assets would increase from approximately RMB871.8 million to approximately RMB1,058.7 million and total liabilities would increase from approximately RMB343.5 million to approximately RMB530.5 million, resulting in total consolidated net assets remaining at approximately RMB528.3 million upon Closing. Despite the capital deficiencies position of the Target Group, the Group's consolidated financial position has not been adversely affected upon and after Closing.

Shareholding structure of the Target Group

The following diagram sets forth the simplified group structure of the Target Company (before the Reorganisation) as at the date of the Sales and Purchase Agreement:



The following diagram sets forth the simplified group structure of the Target Company immediately after Closing and the Reorganisation having been completed and as at the Latest Practicable Date:



Information of the Sellers

Mr. Qu Peijun* (屈培軍先生) (i.e. Seller A), an individual who resides in the PRC, owns (i) 92.7536% of the equity interest of the Target Company as at the date of the Sales and Purchase Agreement and (ii) 30% equity interest of the Target Company upon Closing and as at the Latest Practicable Date.

Ms. Fan Dexin* (范德新女士) (i.e. Seller B), an individual who resides in the PRC, owns (i) 7.2464% of the equity interest of the Target Company as at the date of the Sales and Purchase Agreement and (ii) no equity interest of the Target Company upon Closing and as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and the Target Company and their respective ultimate beneficial owners (if applicable) were third parties independent of the Company and its Connected Persons as at the date of the Sales and Purchase Agreement. Upon Closing and as at the Latest Practicable Date, Seller A was interested in a 30% equity interest in the Target Company, an indirect non-wholly owned subsidiary of the Company. Accordingly, Seller A is a Connected Person of the Company at subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Group has a number of property management projects in Guizhou province of the PRC. Commitment to continual expansion of the Group's management scale is the core development strategy of the Group. The Board is confident that the Acquisition will contribute positively to the Group by bringing in additional source of income from the Acquisition. The Board believes that the Acquisition is an effective way to grow the Group's service offerings and property management portfolio. The Acquisition can create synergies with the business of the Group by combining the existing strength and experience of the Target Group in property management in the Southwest region of the PRC.

After the Acquisition, the total contracted GFA of the Group increased from (1) approximately 35.3 million square meters as at the date of the Sales and Purchase Agreement to approximately 46.1 million square meters or approximately 30.6% as at the Latest Practicable Date; or (2) approximately 22.5 million square meters at the beginning of 2021, representing an increase of approximately 23.6 million square meters or approximately 104.9%. The total GFA of properties under management of the Group increased from (1) approximately 27.3 million square meters as at the date of the Sales and Purchase Agreement to approximately 34.0 million square meters or approximately 24.5% as at the Latest Practicable Date; or (2) approximately 17.9 million square meters at the beginning of 2021, representing an increase of approximately 16.1 million square meters or approximately 89.9%.

In view of the factors set out above together with the assessments made under the paragraphs headed "THE ACQUISITION – Basis of the Consideration" and "INFORMATION ABOUT THE PARTIES TO THE SALES AND PURCHASE AGREEMENT – Financial information of the Target Group" in this letter, the Directors consider that the transactions contemplated under the Sales and Purchase Agreement are carried out in the ordinary course of business and are on normal commercial terms. As the terms of the Sales and Purchase Agreement were arrived at after arm's length negotiations among the parties thereto, the Directors are of the view that the terms of the Sales and Purchase Agreement are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Closing, the Group is interested in 70% of equity interest in the Target Company, which is indirectly held by the Company through Guizhou Furuiying (i.e the Purchaser), and the Target Group has become non-wholly owned subsidiaries of the Company since Closing. The financial results of the Target Group have been consolidated into the Group's financial statements.

Earnings

The audited net profit after tax of the Group attributable to equity shareholders of the Company for year ended 31 December 2020, as disclosed in the Company's 2020 annual report, was approximately RMB56.4 million.

As set out in Appendix II to this circular, the Target Group recorded (i) an audited net profit after tax attributable to equity shareholders of the Company of approximately RMB24.2 million for the financial year ended 31 December 2020; and (ii) an audited net loss after tax attributable to equity shareholders of the Company of approximately RMB34.3 million for the six months ended 30 June 2021 (please refer to note 25 to the financial statements of the Target Group in Appendix II to this circular for further details of the litigation claim on the Target Group).

The Directors consider that the Acquisition will bring positive contributions to the earnings of the Enlarged Group depending on the future performance of the Target Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place on 30 June 2021, the Group's total assets would increase from approximately RMB871.8 million to approximately RMB1,058.7 million and total liabilities would increase from approximately RMB343.5 million to approximately RMB530.5 million, resulting in total consolidated net assets remaining at approximately RMB528.3 million upon Closing.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

Qualified Opinion

Reference is made to the matter described in the "Basis for Qualified Opinion" set out in Appendix II to this circular. Due to the scope limitations relating to financial guarantees liabilities and litigations provision as at 31 December 2018, 2019 and 2020 as a result of loss of records and documents, the auditor expressed qualified opinion on the Target Group's historical financial information for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021, and as at 31 December 2018, 2019 and 2020 (the "**Qualified Opinion**").

Immediately following the Closing, the Target Group has become an indirect non-wholly owned subsidiary of the Company. As the auditors of the Target Company has given unqualified opinion to the Target Group's combined financial position as at 30 June 2021, the Board currently expects that the Qualified Opinion will have no impact to the upcoming annual audit work and annual audited financial results of both the Target Group and the Group for the year ending 31 December 2021.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting in respect of the approval of the Acquisition. Since no Shareholder is required to abstain from voting, the Company obtained a written approval from its controlling Shareholder, Brilliant Brother, which holds 286,439,934 Shares in the Company (representing approximately 51.15% of the total issued share capital of the Company) carrying rights to vote at a general meeting on 22 July 2021. Accordingly, such written shareholders' approval has originally been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company was originally proposed to approve the Acquisition. Pursuant to Rule 14.86 of the Listing Rules, if a qualified opinion is issued in the accountants' report in respect of the Acquisition, the Company is required to convene a general meeting to obtain Shareholders' approval for the Acquisition. Although Closing already took place on 2 August 2021, as the Company's gesture to use its best efforts to comply with the Shareholders' meeting requirements under Rule 14.67(6)(a)(i) and Rule 14.86 of the Listing Rules given the subsequent Qualified Opinion, the Company is now proposing that the EGM will be held for all Shareholders to participate. Please refer to the following paragraph headed "QUALIFIED OPINION AND COMPLIANCE ON RULE 14.67(6)(a)(i) OF THE LISTING RULES" in this letter for further details.

QUALIFIED OPINION AND COMPLIANCE ON RULE 14.67(6)(a)(i) OF THE LISTING RULES

With reference to the Company's announcement dated 22 July 2021, the Company has obtained a written approval from its controlling Shareholder, Brilliant Brother, which holds 286,439,934 Shares in the Company (representing approximately 51.15% of the total issued share capital of the Company), in respect of the Acquisition and such written shareholders' approval has originally been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Furthermore, it is stated in the Company's announcement dated 12 August 2021 that Closing of the Acquisition took place on 2 August 2021. It is further disclosed under the paragraph headed "FINANCIAL EFFECT OF THE ACQUISITION – Qualified opinion" in this letter and in the accountants' report of the Target Group set out in Appendix II to this circular that due to the scope limitations relating to financial guarantees liabilities and litigations provision as at 31 December 2018, 2019 and 2020 as a result of loss of records and documents, the auditor expressed the Qualified Opinion on the Target Group's historical financial information for the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2021, and as at 31 December 2018, 2019 and 2020.

The Board has noted that it is stated under the note to Rule 14.67(6)(a)(i) of the Listing Rules that: *"Where the accountants can only give a modified opinion in the accountants' report in respect of the acquisition of the business, company or companies, for example because the records of stock or work-in-progress are inadequate, the Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction....."* The Board also note that it is stated under Rule 14.86 of the Listing Rules that: "*Shareholders' approval is required for an acquisition that requires an accountants' report under this Chapter where the reporting accountants can only give a modified opinion in the accountants' report in respect of the acquisition of the businesses or companies, for example, because of the absence of adequate records in relation to stock and work-in-progress. In such cases, the Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction.*"

In relation to the above, the Company considers that it had not, whether willfully or inadvertently, breached Rules 14.67(6)(a)(i) and 14.86 of the Listing Rules, when the Board was contemplating the Acquisition and Brilliant Brother, the Company's controlling Shareholder, was deciding to adopt written Shareholders' approval for the Acquisition due to the reasons/sequence of events below:

When the Board was contemplating the Acquisition in June and July 2021, the Group had provided unaudited management accounts of the Target Group for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021 to the Company's auditor, Grant Thornton Hong Kong Limited (the "**Auditor**"), for their preliminary assessment (but not audit) where no litigation provisions and financial guarantees liabilities were provided. Due to the lack of sufficient and appropriate audit evidence, the Auditor was not able to assess the financial impact of the financial guarantee provided by the Target Company to Guizhou Huaxin and the debt arrangement on the Pre-completion Debts preliminarily agreed by Seller A and the Company at the material time.

In around mid-November 2021, it was understood that as the Sales and Purchase Agreement was entered into on 22 July 2021, the debt arrangement on the Pre-completion Debts as part of the terms and conditions of the Sales and Purchase Agreement became binding after 30 June 2021 (subject to fulfilment of conditions precedent to the Sales and Purchase Agreement which subsequently took place on 2 August 2021). Accordingly, such debt arrangement did not exist at any time during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. The legal claims against the independent borrowers in relation to the financial guarantee provided by the Target Company, for which the Target Company will be liable should the legal claim become final and conclusive, should therefore be provided for in the profit or loss of the Target Group during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

As disclosed in the paragraph headed "Basis for Qualified opinion" set out in Appendix II to this circular, the management of the Target Company could not provide adequate supporting documents to enable the Auditor to assess, among other things, the fair value measurement of financial guarantee obligations as at the inception of financial guarantees and the assessments for expected credit loss allowances as at 31 December 2018, 2019, 2020 and for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. As advised by the Target Company's legal adviser as to PRC law, there were certain litigations and claims against, among others, the independent borrowers, Guizhou Huaxin and the Target Company as at 30 June 2021. As such, litigations provision of approximately RMB37,750,000 was made during the six months ended 30 June 2021.

The Company would like to emphasize that it was not aware of any indication of the potential outcome of the Qualified Opinion on the audited financial statements of the Target Group at any time during which the Acquisition was being contemplated by the Board and up to the date of Closing on 2 August 2021 including 22 July 2021, i.e. the date on which the Sales and Purchase Agreement and the written Shareholders' approval was entered into/duly signed.

Nevertheless and as a matter of fact, the Qualified Opinion has been issued by the Auditor while the ordinary resolution for approving the Acquisition had been duly passed by way of written Shareholders' approval, which is not in compliance with Rules 14.67(6)(a)(i) and 14.86 of the Listing Rules. To conclude, the Company is of the view that it had breached Rules 14.67(6)(a)(i) and 14.86 of the Listing Rules. To avoid similar incidences in future, the Board undertakes that going forward, whenever the Board contemplates major transaction where no Shareholders are required to abstain from voting and written Shareholders' approval is considered, the Board will ensure, although not mandatorily required under Rule 14.58(7) of the Listing Rules, that it will engage an independent auditor to (i) perform and substantially complete the required audit work on the target business' financial statements; and (ii) prepare preliminary draft audited account of the target business before entering into the relevant sales and purchase agreement and obtaining written Shareholders' approval from its then controlling Shareholder(s).

Although Closing had already taken place on 2 August 2021, as the Company's gesture to use its best efforts to comply with the Shareholders' meeting requirements under Rules 14.67(6)(a)(i) and 14.86 of the Listing Rules given with the subsequent Qualified Opinion, the Company is now proposing that the EGM will be held for all Shareholders to (i) cast their votes in respect of the Acquisition so as to approve, confirm and ratify it (if appropriate); and (ii) be offered a chance to make inquires (if necessary) with the Board on further details of the Acquisition, including but not limited to the rationale of, the fairness and reasonableness of and the reasons for and benefits of the Acquisition. Since no Shareholder is required to abstain from voting on the Acquisition, the Company's controlling Shareholder, Brilliant Brother, will be allowed to vote on the Acquisition at the EGM. Please refer to the notice of EGM in this circular for further details.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board of Directors
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

FINANCIAL SUMMARY

The financial information of the Group for the financial year ended 31 December 2018 is disclosed in the Company's prospectus dated 27 June 2019 issued in connection with the Company's listing on the Stock Exchange, and the financial information of the Group for each of the years ended 31 December 2019 and 2020 are disclosed in the Company's annual reports published on 27 April 2020 and 23 April 2021, respectively. The unaudited financial information of the Group are disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 17 September 2021. The aforesaid are incorporated by reference into this circular. The said prospectus, annual reports and interim report have been posted on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.hevolwy.com.cn/.

The financial information of the Group for the year ended 31 December 2018 is disclosed in the Company's prospectus dated 27 June 2019, from pages I-4 to I-47. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0627/ltn20190627069.pdf

The financial information of the Group for the year ended 31 December 2019 are disclosed in the annual report of the Group published on 27 April 2020, from pages 117 to 202. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701925.pdf

The financial information of the Group for the year ended 31 December 2020 are disclosed in the annual report of the Group published on 23 April 2021, from pages 128 to 233. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301373.pdf

The unaudited financial information of the Group are disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 17 September 2021, from pages 27 to 56. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0917/2021091701133.pdf

INDEBTEDNESS

Lease Liabilities

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had current and non-current lease liabilities amounting to approximately RMB616,000 and RMB1,286,000, respectively.

Bank Borrowings

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had non-current, secured and guaranteed bank borrowings amounting to approximately RMB4,000,000.

Financial guarantees and litigations provision

As described in note 25 to the Historical Financial Information (Appendix II to this circular), there were certain litigations and claims against the independent third parties borrowers ("**Independent Borrowers**"), Guizhou Huaxin Financing Guarantee Co., Ltd (貴州華信融資擔保有限公司) ("**Guizhou Huaxin**"), together with Guizhou Huaxin's shareholders including the Target Company. As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement, the litigations have not been settled. Therefore, the Enlarged Group had litigations provision of approximately RMB37,750,000.

Disclaimer

Save as aforesaid in this section of the circular and apart from enlarged intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2021, the Enlarged Group did not have any other debt securities issued and outstanding, or authorized or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities. The Enlarged Group did not have any plan for material external debt financing.

WORKING CAPITAL

Taking into account of the projected cash flow contribution of the Target Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a reputable market player in the property management industry in the PRC providing property management services and value-added services in the PRC. It is committed to provide high quality services to property owners and residents of the Group's property management projects.

The Group expects to undertake new high-end residential community projects to further strengthen the market presence in the cities which the Group already has a property management business. The Group intends to continue to diversify its property management portfolio through securing new property management projects developed by third party developers or institutions in the next three years. The Group seeks to increase the operation by expanding and diversifying its property management portfolio of non-residential properties, such as office space, retail shops and other public facilities. The Group also plans to grow its property management portfolio in new geographic markets with relatively high levels of population density and purchasing power. Furthermore, the Group will continue to explore strategic investments in, and acquisition of, other property management companies that will create synergies with its existing business. Apart from growing the Group's business through organic growth initiatives, the Group also aims to expand the breadth and contents of its service offerings and property portfolio.

The Target Group is primarily engaged in the property management industry, including residential properties, offices, government buildings and commercial properties. With more than 18 years of experience, it has established a high-quality property service brand image in the Guizhou regional market in the PRC. As at the date of Sales and Purchase Agreement, the total GFA of properties under management of the Target Group was approximately 6.4 million square meters. Its property management projects were mainly located in Guizhou province in the PRC.

The Group believes that the Acquisition is a cost-effective way to grow its service offerings and property management portfolio. The Group also believes that the Acquisition will create synergies with the business of the Group by combining the existing strength and experience of the Target Group in property management in Guizhou province in the PRC such that the Group will be able to further enhance its market share and brand influence and further consolidate its market in the Guizhou province, expand the scope and size of its property management business and improve its business growth and profitability.

Looking forward, the Group will continue to actively explore cooperation with high-quality property management service companies to optimise regional roadmap. At the same time, the Group will further strengthen the standardisation and smart management services, upgrade the value-added service business, and seize opportunities for diversified business growth. The Group will develop diversified property management services and continue to improve service quality, to consolidate and further enhance the Group's competitiveness and brand recognition in the property management service industry in the PRC, create greater value for the community and greater returns for the Shareholders.

The following is the text of a report set out on pages II-1 to II-77, received from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Grant Thornton
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUIYANG XINGLONG PROPERTY MANAGEMENT CO., LTD.

TO THE DIRECTORS OF HEVOL SERVICES GROUP CO. LIMITED

Introduction

We report on the historical financial information of Guiyang Xinglong Property Management Co., Ltd. (the "**Target Company**") and its subsidiary, namely Guizhou Zhongtie Xinglong Property Management Co., Ltd. (collectively referred to as the "**Target Group**") set out on pages II-5 to II-77, which comprises the combined statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 30 June 2021, the statements of financial position of the Target Company as at 31 December 2018, 2019 and 2020 and 30 June 2021, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-77 forms an integral part of this report, which has been prepared for inclusion in the circular of Hevol Services Group Co. Limited (the "**Company**") dated 22 December 2021 (the "**Circular**") in connection with the proposed acquisition of 70% equity interest of the Target Company.

Directors' Responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Target Company are responsible for the contents of this circular in which the Historical Financial Information of the Target Group is included, and for such information is prepared based on the accounting policies materially consistent with those of the Target Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

Scope limitations relating to financial guarantees liabilities and litigations provision as at 31 December 2018, 2019 and 2020

As described in note 25 to the Historical Financial Information, in prior years, Guizhou Huaxin Financing Guarantee Co., Ltd (貴州華信融資擔保有限公司) ("**Guizhou Huaxin**"), an investee of the Target Company, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers ("**Independent Borrowers**") in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. The Target Company had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. The management of the Target Company did not maintain adequate accounting records and supporting documents, in particular, the financial guarantee agreements and the specific debtors' credit risk assessment to enable us to assess the fair value measurement of financial guarantees obligations as at the inception of financial guarantees and the assessments for expected credit loss allowances as at 31 December 2018, 2019 and 2020 and for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021. The management of the Target Company was also not able to provide adequate supporting documents to enable us to satisfactorily complete the independent confirmations procedures in relation to the financial guarantees balances as at 31 December 2018, 2019 and 2020 and the financial guarantees income and/or expected credit loss allowance for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021.

As at 30 June 2021, as advised by the Target Company's PRC legal advisor, there were certain litigations and claims against the Independent Borrowers, Guizhou Huaxin, together with Guizhou Huaxin's shareholders including the Target Company, due to the default on bank borrowings by the Independent Borrowers and the financial guarantees issued as mentioned above, and therefore, litigations provision of RMB37,750,000 was made during the six months ended 30 June 2021.

The directors of the Target Company believed that the litigations and claims might have happened in and/or prior to 2021. However, the directors were not able to quantify the impact of the appropriate litigation charges during the Relevant Periods due to the loss of the relevant records and documents. There were no alternative audit procedures that we could perform to enable us to determine the amount of adjustment, if any, to the litigations provision charged to the Historical Financial Information as at 31 December 2018, 2019 and 2020 and for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021.

Because of the above scope limitations, we were unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that we could perform to satisfy ourselves as to: (1) the occurrence, accuracy, existence and completeness of the financial guarantees liabilities as at and for the years ended 31 December 2018, 2019 and 2020; (2) the occurrence, accuracy, existence, and completeness, of the litigations provision as at 31 December 2018, 2019 and 2020 and the litigation charges for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021. Accordingly, we were not able to determine whether any adjustments to financial guarantees liabilities and litigations provision in Historical Financial Information as at 31 December 2018, 2019 and 2020 and for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's combined financial position as at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Company's financial position as at 31 December 2018, 2019 and 2020 and 30 June 2021 and of the Target Group's combined financial performance and combined cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target 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 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("**IAASB**"). 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 International 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, except for the effects arising from the matter described in the "Basis for Qualified Opinion" section above, 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 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states the details of dividends paid by the Target Company in respect of the Relevant Periods.

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22 December 2021

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I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), except when otherwise indicated.

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
	Notes	**2018**	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	107,261	126,228	155,018	74,405	75,653
Cost of sales		(90,167)	(103,548)	(105,747)	(50,195)	(53,362)
Gross profit		17,094	22,680	49,271	24,210	22,291
Other income	*5*	1,856	17,002	3,339	2,748	1,455
Expected credit loss ("**ECL**") allowance on trade and other receivables		(619)	(4,144)	(10,772)	(10,971)	(13,671)
Administrative expenses		(14,034)	(15,064)	(13,274)	(5,607)	(44,586)
Profit/(Loss) before income tax	*6*	4,297	20,474	28,564	10,380	(34,511)
Income tax expense	*8*	(1,418)	(773)	(2,827)	(748)	(158)
Profit/(Loss) and total comprehensive income/(expense) for the year/period		2,879	19,701	25,737	9,632	(34,669)
Profit/(Loss) and total comprehensive income/(expense) for the year/period attributable to:						
Equity shareholders of the Company		3,730	19,480	24,214	8,820	(34,334)
Non-controlling interests		(851)	221	1,523	812	(335)
		2,879	19,701	25,737	9,632	(34,669)

Combined Statements of Financial Position

	Notes	As at 31 December 2018 *RMB'000*	As at 31 December 2019 *RMB'000*	As at 31 December 2020 *RMB'000*	As at 30 June 2021 *RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*11*	2,319	1,758	1,557	1,369
Intangible assets	*12*	544	528	547	527
Deferred tax assets	*20*	756	1,269	2,485	3,933
		3,619	3,555	4,589	5,829
Current assets					
Inventories	*13*	156	171	144	64
Trade and other receivables	*15*	50,503	64,845	71,567	71,632
Financial assets at fair value through profit or loss	*16*	–	–	–	13,000
Restricted bank deposits	*17*	–	–	1,430	6,958
Bank balances and cash		19,058	21,641	19,019	8,825
		69,717	86,657	92,160	100,479
Current liabilities					
Contract liabilities	*4(a)*	37,603	42,315	29,127	34,520
Amount due to Controlling Shareholder	*18*	300	766	1,426	10,427
Trade and other payables	*19*	88,288	79,853	78,702	114,295
Income tax liabilities		3,979	4,651	8,680	9,921
		130,170	127,585	117,935	169,163
Net current liabilities		(60,453)	(40,928)	(25,775)	(68,684)
Net liabilities		(56,834)	(37,373)	(21,186)	(62,855)
EQUITY					
Paid-up capital	*21*	10,000	10,000	10,000	10,000
Reserves	*22*	(66,858)	(47,618)	(32,954)	(74,288)
Capital deficiencies attributable to equity shareholders of the Target Company		(56,858)	(37,618)	(22,954)	(64,288)
Non-controlling interests		24	245	1,768	1,433
Capital deficiencies		(56,834)	(37,373)	(21,186)	(62,855)

Statements of Financial Position of the Target Company

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 30 June 2021 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment in a subsidiary	14	4,050	4,050	4,050	4,050
Property, plant and equipment	11	1,245	795	527	529
Intangible assets	12	544	528	547	527
Deferred tax assets	20	595	1,054	2,070	3,398
		6,434	6,427	7,194	8,504
Current assets					
Inventories	13	131	171	144	61
Trade and other receivables	15	42,770	54,586	63,686	63,677
Amount due from a subsidiary	14	8	201	1,184	686
Restricted bank deposits	17	–	–	1,430	6,958
Bank balances and cash		6,770	6,451	5,099	5,614
		49,679	61,409	71,543	76,996
Current liabilities					
Contract liabilities	4(a)	32,707	35,193	25,370	27,824
Amount due to Controlling Shareholder	18	300	766	1,426	7,899
Trade and other payables	19	69,293	59,145	59,021	95,557
Income tax liabilities		4,042	4,584	8,053	9,257
		106,342	99,688	93,870	140,537
Net current liabilities		(56,663)	(38,279)	(22,327)	(63,541)
Net liabilities		(50,229)	(31,852)	(15,133)	(55,037)
EQUITY					
Paid-up capital	21	10,000	10,000	10,000	10,000
Reserves	22	(60,229)	(41,852)	(25,133)	(65,037)
Capital deficiencies		(50,229)	(31,852)	(15,133)	(55,037)

Combined Statements of Changes in Equity

	Attributable to equity shareholders of the Target Company					
	Share capital *RMB'000* *(note 21)*	Capital reserve* *RMB'000* *(note 22)*	Statutory reserve* *RMB'000* *(note 22)*	(Accumulated losses)/ Retained Profits* *RMB'000*	Non-controlling interests *RMB'000*	Capital deficiencies *RMB'000*
Balance at 1 January 2018	10,000	(47,341)	47	(16,525)	875	(52,944)
Profit/(Loss) and total comprehensive income/(expense) for the year	–	–	–	3,730	(851)	2,879
Transactions with owners						
– Deemed distribution to Controlling Shareholder	–	(6,769)	–	–	–	(6,769)
– Appropriation to statutory reserve	–	–	736	(736)	–	–
Total transactions with owners	–	(6,769)	736	(736)	–	(6,769)
As at 31 December 2018 and 1 January 2019	10,000	(54,110)	783	(13,531)	24	(56,834)
Profit and total comprehensive income for the year	–	–	–	19,480	221	19,701
Transactions with owners						
– Deemed distribution to Controlling Shareholder	–	(240)	–	–	–	(240)
– Appropriation to statutory reserve	–	–	1,970	(1,970)	–	–
Total transactions with owners	–	(240)	1,970	(1,970)	–	(240)
As at 31 December 2019 and 1 January 2020	10,000	(54,350)	2,753	3,979	245	(37,373)
Profit and total comprehensive income for the year	–	–	–	24,214	1,523	25,737
Transactions with owners						
– Deemed distribution to Controlling Shareholder	–	(8,550)	–	–	–	(8,550)
– Dividend paid *(note 9)*	–	–	–	(1,000)	–	(1,000)
– Appropriation to statutory reserve	–	–	2,574	(2,574)	–	–
Total transactions with owners	–	(8,550)	2,574	(3,574)	–	(9,550)
As at 31 December 2020 and 1 January 2021	10,000	(62,900)	5,327	24,619	1,768	(21,186)
Loss and total comprehensive expense for the period	–	–	–	(34,334)	(335)	(34,669)
Transactions with owners						
– Dividend paid *(note 9)*	–	–	–	(7,000)	–	(7,000)
As at 30 June 2021	10,000	(62,900)	5,327	(16,715)	1,433	(62,855)

	Attributable to equity shareholders of the Target Company					
	Share capital *RMB'000* *(note 21)*	**Capital reserve*** *RMB'000* *(note 22)*	**Statutory reserve*** *RMB'000* *(note 22)*	**Retained Profits*** *RMB'000*	**Non-controlling interests** *RMB'000*	**Capital deficiencies** *RMB'000*
As at 31 December 2019 and 1 January 2020	10,000	(54,350)	2,753	3,979	245	(37,373)
Profit and total comprehensive income for the period	–	–	–	8,820	812	9,632
Transactions with owners						
– Appropriation to statutory reserve	–	–	964	(964)	–	–
As at 30 June 2020 (unaudited)	10,000	(54,350)	3,717	11,835	1,057	(27,741)

* The total of these amounts as at each reporting date represents "Reserves" in the combined statements of financial position.

Combined Statements of Cash Flows

		Year ended 31 December			Six months ended 30 June	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Profit/(Loss) before income tax		4,297	20,474	28,564	10,380	(34,511)
Adjustments for:						
Amortisation of intangible assets	*6*	63	68	75	36	40
Depreciation of property, plant and equipment	*6*	838	747	686	267	291
ECL allowance on trade and other receivables		619	4,144	10,772	10,971	13,671
Financial guarantees income	*5*	(1,833)	(16,586)	(1,541)	(1,716)	(1,330)
Litigations provision	*25*	–	–	–	–	37,750
Interest income	*5*	(17)	(38)	(300)	(15)	(62)
Loss on disposal of property, plant and equipment	*6*	20	12	13	11	76
Operating profit before working capital changes		3,987	8,821	38,269	19,934	15,925
Decrease/(Increase) in inventories		107	(15)	27	26	80
Decrease/(Increase) in prepayments, deposits, trade and other receivables		5,641	(9,301)	(13,919)	(18,963)	(25,903)
Increase/(Decrease) in trade and other payables		10,927	8,165	416	(3,765)	(8,397)
Increase/(Decrease) in contract liabilities		10,438	4,712	(13,188)	(14,199)	5,393
Cash generated from/(used in) operations		31,100	12,382	11,605	(16,967)	(12,902)
Interest received		17	38	300	15	62
Income taxes (paid)/refunded		(291)	(614)	(14)	69	(365)
Net cash from/(used in) operating activities		30,826	11,806	11,891	(16,883)	(13,205)

		Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from investing activities						
Purchase of property, plant and equipment		(862)	(198)	(498)	(8)	(179)
Purchase of intangible assets		(101)	(52)	(94)	–	(20)
Purchase of financial assets at fair value through profit or loss		–	–	(12,000)	(12,000)	(13,000)
Proceeds from redemption of financial assets at fair value through profit or loss		–	–	12,000	–	–
Increase in other receivables		(3,500)	(8,250)	(4,670)	(9,831)	(14,194)
(Increase)/Decrease in amount due from Controlling Shareholder		(9,900)	9,900	–	–	–
(Increase)/Decrease in amounts due from related parties		(724)	(10,835)	1,095	21,832	26,361
Increase in restricted bank deposits		–	–	(1,430)	–	(5,528)
Net cash used in investing activities		(15,087)	(9,435)	(5,597)	(7)	(6,560)
Cash flows from financing activities						
Dividends paid	*9*	–	–	(1,000)	–	(7,000)
Deemed distributions to Controlling Shareholder		(6,769)	(240)	(8,550)	–	–
(Decrease)/Increase in amount due to related parties	*24.1*	(25)	(14)	(26)	(29)	7,570
Increase in amount due to Controlling Shareholder	*24.1*	300	466	660	660	9,001
Net cash from/(used in) financing activities		(6,494)	212	(8,916)	631	9,571
Net increase/(decrease) in cash and cash equivalents		9,245	2,583	(2,622)	(16,259)	(10,194)
Cash and cash equivalents at the beginning of the year/period		9,813	19,058	21,641	21,641	19,019
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash		19,058	21,641	19,019	5,382	8,825

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司, the "**Target Company**") was established in the People's Republic of China (the "**PRC**") with limited liability on 10 June 2004. Its registered office and principal place of business are located at No. 1, Floor 1, Building 21, Notting Hill Group, Xinglong Pearl River Bay, No. 208, Zhujiang Road, Xiaohe District, Guiyang City, Guizhou Province, the PRC.

The Target Company and its subsidiary, excluding equity interests of 100% in Guizhou Xinglong Housekeeping Co., Ltd. (貴州興隆家政服務有限公司), 63.64% in Chengdu Kairuier Pharmaceutical Technology Co., Ltd. (成都凱瑞爾醫藥科技有限公司), 55% in Guizhou Zhongtie Jida Real Estate Development Co., Ltd. (貴州中鐵吉達房地產開發有限公司), 49% in Guizhou Xinglong Youzhi Property Management Co., Ltd. (貴州興隆優智物業服務有限公司), 30% in Guizhou Zhongtie Xingya Asset Management Co., Ltd. (貴州中鐵興亞資產管理有限公司), 30% in Guizhou Xinglong Yishenghuo Technology Property Services Co., Ltd. (貴州興隆逸生活科技物業服務有限公司), 24.99% in Guizhou Henghui Property Management Services Co., Ltd. (貴州恒滙物業管理服務有限公司), 18.69% in Guizhou Province Wenshui Hotel Management Co., Ltd. (貴州省問水酒店管理有限責任公司), 17.92% in Guizhou Huaxin Financing Guarantee Co., Ltd (貴州華信融資擔保有限公司) ("**Guizhou Huaxin**") and 5% in Guizhou Taihai Hejia Property Management Co., Ltd. (貴州台海合家物業服務有限公司) held by the Target Company (together, the "**Excluded Companies**") and properties held by the Target Group (together, the "**Excluded Portions**") (collectively referred to as the "**Target Group**") are principally engaged in the provision of property management services and related value-added services in the PRC. Particulars of the subsidiary of the Target Group included in the preparation of the Historical Financial Information are set out in note 14.

The Target Company is controlled by Mr. Qu Peijun (the "**Controlling Shareholder**").

2. Summary of significant accounting policies

2.1 Basis of preparation and presentation

The business of the Target Group formed part of the larger group of the Target Company and its subsidiaries (the "**Overall Group**") during the Relevant Periods.

For the purpose of preparation and presentation of the Historical Financial Information, only the assets and liabilities, and the results of the Target Group are included, and those of the Excluded Portions are excluded (i.e. a "carve-out" basis), as compared with the assets and liabilities, and the results of the Overall Group prepared on a consolidated basis.

Management of Hevol Services Group Co. Limited (the "**Company**") is of the view that it is more appropriate to present the Historical Financial Information of the Target Group during the Relevant Periods on a "carve-out" basis, rather than to present the financial information of the Overall Group on a consolidated basis, due to the following reasons:

– The principal activities of the Excluded Companies were primarily provision of housekeeping services, properties development and investment and provision of financing services. The Target Company is in the process of disposing of the Excluded Companies. The businesses of the Excluded Companies have been separately managed and financially controlled.

– There are clearly identifiable assets, liabilities, revenue and expenditures of the Target Group and of the Excluded Portions respectively.

– It is practicable to identify the historical financial information attributable to the Target Group's business given that the accounting books and records of the Target Group are maintained separately from the accounting books and records of the Excluded Companies.

– The Excluded Portions do not form part of the assets to be acquired by the Company under the proposed acquisition of the 70% equity interest of the Target Company (the "**Proposed Acquisition**") and hence its historical financial information is not relevant to the trading record of the business proposed to be acquired. The Company's management believes that presenting the consolidated financial information of the Overall Group, which would include the results of Excluded Portions that are not the subject of the Proposed Acquisition, would provide irrelevant and potentially misleading financial information to the users of the Historical Financial Information.

– Presenting the Historical Financial Information of the Target Group on a "carve-out" basis would provide more direct and relevant information to the users of the Historical Financial Information.

No significant adjustments or allocations of expenses for adoption of a "carve-out" basis were made in the Historical Financial Information.

For the purpose of the Proposed Acquisition, the Historical Financial Information of the Target Group has been prepared and presented on "carve-out" basis as if the Excluded Portions were excluded in preparing the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**") which includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

All IFRSs effective for the accounting periods beginning on or before 1 January 2021 are consistently applied to the Target Group throughout the Relevant Periods.

The Historical Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("**FVTPL**") (see note 2.7) which are stated at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the Historical Financial Information, the directors of the Company have given consideration to the future liquidity of the Target Group in light of its net current liabilities and net liabilities of RMB68,684,000 and RMB62,855,000 respectively as at 30 June 2021. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Target Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Historical Financial Information has been prepared on the assumption that the Target Group will continue to operate as a going concern notwithstanding the condition prevailing as at 30 June 2021, because the Controlling Shareholder has agreed to provide continuous financial support to enable the Target Group to meet its liabilities and obligations as and when they fall due and to continue its operations, until the date of the completion of the Proposed Acquisition. In addition, the Company has undertaken, from the date that the Company becomes the controlling shareholder of the Target Company, to provide continuous financial support to enable the Target Company to meet its liabilities and obligations as and when they fall due and to continue its operations with effective from the completion of the Proposed Acquisition up to twelve months after the completion of the Proposed Acquisition. As a result, the directors of the Company consider that it is appropriate for the Target Group to adopt the going concern basis in preparing the Historical Financial Information.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3 below.

2.2 Issued but not yet effective IFRSs

A number of new standards and amendments to standards and interpretations have been issued but not yet effective for the Relevant Periods, and have not been adopted early in preparing the Historical Financial Information:

IFRS 17	Insurance Contract and related amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective date not yet determined
[4] Effective for annual periods beginning on or after 1 April 2021
[5] Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors of the Target Company anticipate that all of the new and amended IFRSs will be adopted in the Target Group's accounting policies for the first period beginning after the effective date of these new and amended IFRSs. The adoption of the new and amended IFRSs are not expected to have a material impact on the Target Group's Historical Financial Information.

2.3 Basis of combination

Subsidiary (excluding the Excluded Companies) is entity controlled by the Target Group. The Target Group controls an entity when the Target Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power over the entity, only substantive rights relating to the entity (held by the Target Group and others) are considered.

The Target Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Target Group ceases to control the subsidiary (excluding the Excluded Companies).

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group asset are reversed on combination, the underlying asset is also tested for impairment from the Target Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Target Group.

Non-controlling interests represent the equity on a subsidiary (excluding Excluded Companies) not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from the equity attributable to the equity shareholders of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Target Company.

In the Target Company's statements of financial position, investment in a subsidiary is carried at cost less any impairment loss (note 2.20). The results of the subsidiary (excluding the Excluded Companies) is accounted for by the Target Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Target Company's profit or loss.

2.4 Foreign currency translation

Items included in the financial information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in RMB, which is the same as the Target Company's functional currency.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.20). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is recognised to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and equipment	33.3%
Motor vehicles	20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Relevant Periods.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

All other costs, such as repairs and maintenance are charged to the profit or loss during the Relevant Periods in which they are incurred.

2.6 Intangible assets

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 10 years. Amortisation commences when the intangible assets are available for use. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.20.

2.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the combined statements of profit or loss and other comprehensive income.

Financial assets, are classified into the following categories:

– amortised cost; or

– FVTPL.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("**ECL**") of financial assets which is presented as a separate item in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Target Company's amount due from a subsidiary and the Target Group's deposits, trade and other receivables, restricted bank deposits and bank balances and cash fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

Classification and measurement of financial liabilities

Financial liabilities include the amount due to Controlling Shareholder and trade and other payables of the Target Group.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs" or "Other income" in the combined statements of profit or loss and other comprehensive income.

Accounting policies of lease liabilities are set out in note 2.12.

Trade and other payables and amount due to Controlling Shareholder

These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Impairment of financial assets

IFRS 9 "Financial Instruments" ("**IFRS 9**")'s new impairment requirements use more forward-looking information to recognise ECL – the "ECL model". The Target Group's trade and other receivables, restricted bank deposits and bank balances and cash fall within the scope of ECL model.

The Target Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

Trade receivables

For trade receivables, the Target Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Target Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

Other financial assets measured at amortised cost

The Target Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group then recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Despite the foregoing, the Target 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 each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Target 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 Target Group, in full (without taking into account any collateral held by the Target Group).

Credit-impaired financial assets

At each reporting date, the Target Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognised in profit or loss of the period in which the reversal occurs.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 26.2.

Financial guarantee contracts

For a financial guarantee contract, the Target Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Target Group expects to receive from the holder, the debtor or any other party.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("**FIFO**") method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Group or the counterparty.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand.

2.12 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Target Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Target Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Target Group;

- the Target Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Target Group has the right to direct the use of the identified asset throughout the period of use. The Target Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Target Group recognises a right-of-use asset and a lease liability with respect to the lease arrangements. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Target Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Target Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Target Group is reasonably certain to obtain ownership at the end of the lease term. The Target Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Target Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Target Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payment of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Target Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Target Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

2.14 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Target Group issues a financial guarantee, the fair value of the guarantee is initially recognised as financial guarantee liabilities within other payables. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Target Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 as set out in note 2.8 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Paid-up capital

The paid-up capital are recorded at the proceeds received, net of direct issue costs.

2.17 Revenue recognition

The Target Group provides property management services and community value-added services.

To determine whether to recognise revenue, the Target Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Property management services

For property management services, the Target Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Target Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump-sum basis, where the Target Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Target Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Community related services are normally billable immediately upon the services are rendered.

2.18 Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the combined statements of profit or loss and other comprehensive income.

2.20 Impairment of non-financial assets

Property, plant and equipment, intangible assets and the investment in a subsidiary in the statements of financial position of the Target Company are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Target Group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

Contributions are recognised as an expense in profit or loss as employees rendered services during the Relevant Periods. The Target Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.22 Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the Historical Financial Information in the period which the dividends are approved by the Target Company's shareholders or board of directors, where appropriate.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Target Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "**CODM**"), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the directors that make strategic decisions.

2.25 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control of the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Target Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Target Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

Current and deferred income taxes

As detailed in note 8, the Target Group is subject to enterprise income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. The details of the deferred tax assets are set out in note 20.

Estimation uncertainties

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade receivables and other financial assets within the scope of ECL under IFRS 9

The Target Group makes allowances on receivables based on assumptions about risk of default and ECL rates. The Target Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as other quantitative and qualitative information and forward-looking estimates at each reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL and credit losses in the periods in which such estimate has been changed.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the carrying amounts of trade receivables and other financial assets were RMB69,253,000 (net of ECL allowance of RMB5,571,000), RMB86,441,000 (net of ECL allowance of RMB9,715,000), RMB91,861,000 (net of ECL allowance of RMB20,487,000) and RMB86,754,000 (net of ECL allowance of RMB34,158,000), respectively.

Financial guarantees valuation

The valuation of the financial guarantees require the use of the management judgement in selecting an appropriate valuation technique for the financial guarantee contracts, and assumptions included the probability of default by the specified counterparty and an analysis of the counterparty's current and future financial position. Further details about the financial guarantee contracts are set out in note 25.

Litigations provision

The Target Group has been involved in several litigations and claims. The Target Group assessed the provision required based on its legal assessment. Further details of the litigations and claims are disclosed in note 25. Further development of the proceedings may result in different assessments of the financial consequences in subsequent years.

Impairment assessment of the Target Company's investment in a subsidiary

The management determines impairment of the Target Company's investment in a subsidiary (note 14) annually or more frequently if changes in circumstances indicate the carrying amount may not be recoverable. This estimate is based on the financial position and the future performance of the subsidiary. Management reassesses the impairment of investment in a subsidiary at each reporting date. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the carrying amounts of the Target Company's investment in a subsidiary were RMB4,050,000, RMB4,050,000, RMB4,050,000 and RMB4,050,000, respectively.

Impairment assessment of property, plant and equipment

Property, plant and equipment (note 11) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the carrying amounts of property, plant and equipment were RMB2,319,000, RMB1,758,000, RMB1,557,000 and RMB1,369,000, respectively.

4. Revenue and segment reporting

The Target Group is principally engaged in the provision of property management services and related valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the directors of the Target Group. The CODM reviews the operating results of the business as one segment to make decisions about resources allocation and assessing the performance. Therefore, the directors of the Target Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Target Group's revenue is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from external customers and recognised over time					
Property management services	80,404	92,322	121,074	61,403	60,772
Community value-added services	26,857	33,906	33,944	13,002	14,881
	107,261	126,228	155,018	74,405	75,653

Geographical information

The major operating entities of the Target Group are domiciled in the PRC. As at 31 December 2018, 2019 and 2020 and 30 June 2021, substantially all of the non-current assets (other than deferred tax assets) of the Target Group were located in the PRC.

Information about major customers

The Target Group had a large number of customers and none of whom contributed 10% or more of the Target Group's revenue for the Relevant Periods.

(a) Contract liabilities

The Target Group and the Target Company have recognised the following revenue-related contract liabilities:

Target Group

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	37,603	42,315	29,127	34,520

Target Company

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	32,707	35,193	25,370	27,824

Contract liabilities of the Target Group and the Target Company mainly arise from the advance payments made by the customers while the underlying services are yet to be provided. Such liabilities increase due to growth of business and decrease as a result of decrease in prepayments by customers on property management services for the Relevant Periods.

The following tables show the revenue recognised during the Relevant Periods related to carried-forward contract liabilities:

Target Group

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at beginning of the year/period	21,956	30,996	34,652	23,983

Target Company

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at beginning of the year/period	19,265	26,300	25,500	18,735

(b) *Unsatisfied performance obligations*

For property management services, the Target Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Target Group's performance to date, on a monthly basis. The Target Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of each Relevant Periods.

5. Other income

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income	17	38	300	15	62
Unconditional government grants *(note)*	6	378	1,498	1,017	63
Financial guarantees income *(note 25)*	1,833	16,586	1,541	1,716	1,330
	1,856	17,002	3,339	2,748	1,455

Note: During the Relevant Periods, unconditional government grants mainly relate to cash subsidies granted by the PRC government in respect of value-added tax relief and operating activities which are either unconditional or with conditions that having been satisfied.

6. Profit/(loss) before income tax

Profit/(loss) before income tax is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amortisation of intangible assets	63	68	75	36	40
Depreciation of property, plant and equipment	838	747	686	267	291
Loss on disposal of property, plant and equipment	20	12	13	11	76
Penalty	2,515	–	–	–	–
Litigations provision	–	–	–	–	37,750

7. Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, bonus and allowances	51,908	57,357	61,719	28,756	32,577
Retirement benefit scheme contributions *(note)*	8,791	12,164	1,005	675	1,427
Other employee benefits	3,518	4,834	3,483	2,030	2,185
	64,217	74,355	66,207	31,461	36,189

Note: During the year ended 31 December 2020, the decrease in retirement benefit scheme contributions was primarily due to the exemption of social insurance contributions as a result of regulatory supportive policies issued by the PRC local governments in response to the outbreak of COVID-19.

8. Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax – PRC enterprise income tax					
Current year/period	1,511	1,286	4,043	1,961	1,606
Deferred tax *(note 20)*					
Origination of temporary differences	(93)	(513)	(1,216)	(1,213)	(1,448)
Total income tax expense	1,418	773	2,827	748	158

The preferential income tax rate applicable to the Target Company within the scope of the China's Western Development Program was 15% for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

Pursuant to the relevant laws and regulation in the PRC, the subsidiary of the Target Company is qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for the year ended 31 December 2018, RMB1,000,000 for the year ended 31 December 2019 and RMB1,000,000 for the year ended 31 December 2020 and the six months ended 30 June 2020 (unaudited) and 30 June 2021, were also entitled a tax concession for 75%, 75%, 75%, 75% and 75% of its taxable income, respectively.

A reconciliation of income tax expense and accounting profit/(loss) at applicable tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit/(Loss) before income tax	4,297	20,474	28,564	10,380	(34,511)
Tax on profit/(loss) before income tax, calculated at the statutory rates applicable to the tax jurisdiction concerned	973	2,947	3,448	1,109	(4,948)
Tax effect on non-deductible expenses	644	420	27	18	5,688
Tax effect on non-taxable income	(305)	(2,488)	(648)	(379)	(582)
Utilisation of tax losses previously not recognised	–	(106)	–	–	–
Tax effect of tax losses not recognised	106	–	–	–	–
Income tax expense	1,418	773	2,827	748	158

9. Dividends

During the year ended 31 December 2020 and six months ended 30 June 2021, special dividends of RMB1,000,000 and RMB7,000,000, respectively, had been declared, approved and paid to its shareholders.

No dividends were paid, declared or proposed subsequent to 30 June 2021.

10. Directors' emoluments and five highest paid individuals

(a) Directors' remuneration

The emoluments of the individual director of the Target Group during the Relevant Periods which were included in the employee benefit expenses are set out below:

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Cheng Zhiyuan *(note (i))*	–	–	–	–
Huang Yuan	–	154	–	154
Qu Peijun	–	261	78	339
Zhang Qin	–	–	–	–
	–	415	78	493
Year ended 31 December 2019				
Huang Yuan	–	265	–	265
Qu Peijun	–	331	77	408
Zhang Qin	–	–	–	–
	–	596	77	673
Year ended 31 December 2020				
Huang Yuan	–	139	–	139
Qu Peijun	–	411	73	484
Zhang Qin	–	–	–	–
	–	550	73	623

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2021				
Huang Yuan	–	50	–	50
Qu Peijun	–	123	42	165
Zhang Qin	–	–	–	–
	–	173	42	215
Six months ended 30 June 2020 (Unaudited)				
Huang Yuan	–	139	–	139
Qu Peijun	–	123	38	161
Zhang Qin	–	–	–	–
	–	262	38	300

Note:

(i) Resigned on 26 March 2018.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Target Group during the Relevant Periods. There were no arrangements under which a director of the Target Group waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 (unaudited) and 2021, the five individuals whose emoluments were the highest in the Target Group include 1, 2, 1, 1 and 1 directors, respectively, whose emoluments are reflected in the analysis presented in note 10(a), the emoluments paid to the remaining 4, 3, 4, 4 and 4 individuals, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Basic salaries and allowances	769	584	775	406	410
Retirement benefit scheme contributions	156	127	181	143	141
	925	711	956	549	551

The aggregate of the emoluments in respect of the remaining 4, 3, 4, 4 and 4 individuals for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 (unaudited) and 2021 fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2018	**2020**	**2021**	**2020**	**2021**
	Number of individuals				
				(unaudited)	
HK$Nil to HK$1,000,000	4	3	4	4	4

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

11. Property, plant and equipment

Target Group

	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2018			
Cost	2,486	2,803	5,289
Accumulated depreciation	(1,545)	(1,429)	(2,974)
Net book amount	941	1,374	2,315
Year ended 31 December 2018			
Opening net book amount	941	1,374	2,315
Additions	43	819	862
Disposals	(20)	–	(20)
Depreciation	(277)	(561)	(838)
Closing net book amount	687	1,632	2,319
As at 31 December 2018 and 1 January 2019			
Cost	2,460	3,622	6,082
Accumulated depreciation	(1,773)	(1,990)	(3,763)
Net book amount	687	1,632	2,319
Year ended 31 December 2019			
Opening net book amount	687	1,632	2,319
Additions	39	159	198
Disposals	(11)	(1)	(12)
Depreciation	(186)	(561)	(747)
Closing net book amount	529	1,229	1,758
As at 31 December 2019 and 1 January 2020			
Cost	2,431	3,776	6,207
Accumulated depreciation	(1,902)	(2,547)	(4,449)
Net book amount	529	1,229	1,758

	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2020			
Opening net book amount	529	1,229	1,758
Additions	38	460	498
Disposals	–	(13)	(13)
Depreciation	(157)	(529)	(686)
Closing net book amount	410	1,147	1,557
As at 31 December 2020 and 1 January 2021			
Cost	2,469	4,150	6,619
Accumulated depreciation	(2,059)	(3,003)	(5,062)
Net book amount	410	1,147	1,557
Six months ended 30 June 2021			
Opening net book amount	410	1,147	1,557
Additions	29	150	179
Disposals	(1)	(75)	(76)
Depreciation	(56)	(235)	(291)
Closing net book amount	382	987	1,369
As at 30 June 2021			
Cost	2,480	4,066	6,546
Accumulated depreciation	(2,098)	(3,079)	(5,177)
Net book amount	382	987	1,369

Depreciation charges recognised are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Administrative expenses	591	572	538	207	213
Cost of sales	247	175	148	60	78
	838	747	686	267	291

Target Company

	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2018			
Cost	2,121	1,833	3,954
Accumulated depreciation	(1,208)	(957)	(2,165)
Net book amount	913	876	1,789
Year ended 31 December 2018			
Opening net book amount	913	876	1,789
Additions	43	57	100
Disposals	(20)	–	(20)
Depreciation	(273)	(351)	(624)
Closing net book amount	663	582	1,245
As at 31 December 2018 and 1 January 2019			
Cost	2,095	1,890	3,985
Accumulated depreciation	(1,432)	(1,308)	(2,740)
Net book amount	663	582	1,245
Year ended 31 December 2019			
Opening net book amount	663	582	1,245
Additions	39	–	39
Disposals	(11)	(1)	(12)
Depreciation	(183)	(294)	(477)
Closing net book amount	508	287	795

	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 31 December 2019 and 1 January 2020			
Cost	2,066	1,885	3,951
Accumulated depreciation	(1,558)	(1,598)	(3,156)
Net book amount	508	287	795
Year ended 31 December 2020			
Opening net book amount	508	287	795
Additions	38	71	109
Disposals	–	(13)	(13)
Depreciation	(155)	(209)	(364)
Closing net book amount	391	136	527
As at 31 December 2020 and 1 January 2021			
Cost	2,104	1,870	3,974
Accumulated depreciation	(1,713)	(1,734)	(3,447)
Net book amount	391	136	527
Six months ended 30 June 2021			
Opening net book amount	391	136	527
Additions	29	150	179
Disposals	(1)	(6)	(7)
Depreciation	(54)	(116)	(170)
Closing net book amount	365	164	529
As at 30 June 2021			
Cost	2,115	1,904	4,019
Accumulated depreciation	(1,750)	(1,740)	(3,490)
Net book amount	365	164	529

12. Intangible assets

Target Group and Target Company

	Computer software *RMB'000*
As at 1 January 2018	
Cost	643
Accumulated amortisation	(137)
Net book amount	506
Year ended 31 December 2018	
Opening net book amount	506
Addition	101
Amortisation	(63)
Closing net book amount	544
As at 31 December 2018 and 1 January 2019	
Cost	744
Accumulated amortisation	(200)
Net book amount	544
Year ended 31 December 2019	
Opening net book amount	544
Addition	52
Amortisation	(68)
Closing net book amount	528

	Computer software *RMB'000*
As at 31 December 2019 and 1 January 2020	
Cost	796
Accumulated amortisation	(268)
Net book amount	528
Year ended 31 December 2020	
Opening net book amount	528
Addition	94
Amortisation	(75)
Closing net book amount	547
As at 31 December 2020 and 1 January 2021	
Cost	890
Accumulated amortisation	(343)
Net book amount	547
Six months ended 30 June 2021	
Opening net book amount	547
Addition	20
Amortisation	(40)
Closing net book amount	527
As at 30 June 2021	
Cost	910
Accumulated amortisation	(383)
Net book amount	527

Amortisation charges recognised in the combined statements of profit or loss and other comprehensive income is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Administrative expenses	63	68	75	36	40

13. Inventories

Target Group

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumable parts	156	171	144	64

Target Company

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumable parts	131	171	144	61

14. Investment in a subsidiary

Particulars of the subsidiary (excluding the Excluded Companies) as at 31 December 2018, 2019 and 2020 and 30 June 2021 are as follows:

Name of company	Place of establishment and business and date of establishment	Registered and paid-up capital	Equity interest held	Principal activities
Guizhou Zhongtie Xinglong Property Management Co., Ltd. ("**Guizhou Zhongtie**")[#] (貴州中鐵興隆物業管理有限公司)	The PRC/ 23 September 2011	RMB5,000,000	81%	Provision of property management services and related value-added services

[#] The English name of the company referred herein represent management's best effort at translating the Chinese name of the company as no English name has been registered.

The subsidiary has adopted 31 December as its financial year end date.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

The Target Group includes the following subsidiary with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows:

Guizhou Zhongtie

	31 December 2018
	RMB'000
NCI percentage	19%
Current assets	20,041
Non-current assets	3,914
Current liabilities	(23,829)
Non-current liabilities	–
Net assets	126
Carrying amount of NCI	24
Revenue	16,233
Loss and total comprehensive expense for the year	(4,479)
Loss and total comprehensive expense attributable to NCI	(851)
Cash flows from operating activities	11,810
Cash flows used in investing activities	(3,442)
Cash flows from financing activities	–
Net cash inflow for the year	8,368

	31 December 2019
	RMB'000
NCI percentage	19%
Current assets	25,247
Non-current assets	3,937
Current liabilities	(27,895)
Non-current liabilities	–
Net assets	1,289
Carrying amount of NCI	245
Revenue	25,975
Profit and total comprehensive income for the year	1,163
Profit and total comprehensive income attributable to NCI	221
Cash flows from operating activities	3,141
Cash flows used in investing activities	(239)
Cash flows from financing activities	–
Net cash inflow for the year	2,902

	31 December 2020
	RMB'000
NCI percentage	19%
Current assets	21,800
Non-current assets	12,754
Current liabilities	(25,247)
Non-current liabilities	–
Net assets	9,307
Carrying amount of NCI	1,768
Revenue	33,882
Profit and total comprehensive income for the year	8,018
Profit and total comprehensive income attributable to NCI	1,523
Cash flows from operating activities	7,669
Cash flows used in investing activities	(8,939)
Cash flows from financing activities	–
Net cash outflow for the year	(1,270)

	30 June 2021
	RMB'000
NCI percentage	19%
Current assets	24,170
Non-current assets	12,685
Current liabilities	(29,313)
Non-current liabilities	–
Net assets	7,542
Carrying amount of NCI	1,433
Revenue	13,672
Loss and total comprehensive expense for the six months ended 30 June 2021	(1,765)
Loss and total comprehensive expense attributable to NCI	(335)
Cash flows used in operating activities	(238)
Cash flows used in investing activities	(13,000)
Cash flows from financing activities	2,528
Net cash outflow for the six months ended 30 June 2021	(10,710)

15. Trade and other receivables

Target Group

		As at 31 December			As at 30 June
		2018	**2019**	**2020**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Third parties		19,673	27,538	41,645	63,825
Less: ECL allowance on trade receivables		(5,571)	(9,715)	(19,766)	(32,138)
		14,102	17,823	21,879	31,687
Other receivables	*(a)*				
Prepayments, deposits and other receivables		6,721	16,473	20,756	38,636
Advances to employees		138	72	271	308
Amount due from Controlling Shareholder		9,900	–	–	–
Amounts due from related parties	*23(c)*	19,642	30,477	29,382	3,021
		36,401	47,022	50,409	41,965
Less: ECL allowance on other receivables		–	–	(721)	(2,020)
		36,401	47,022	49,688	39,945
		50,503	64,845	71,567	71,632

Target Company

	Note	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 30 June 2021 RMB'000
Trade receivables					
– Third parties		11,810	17,727	27,408	44,801
Less: ECL allowance on trade receivables		(3,970)	(7,029)	(13,082)	(20,634)
		7,840	10,698	14,326	24,167
Other receivables	*(a)*				
Deposits and other receivables		5,254	13,353	20,456	38,223
Advances to employees		134	58	243	286
Amount due from Controlling Shareholder		9,900	–	–	–
Amounts due from related parties	*23(c)*	19,642	30,477	29,382	3,021
		34,930	43,888	50,081	41,530
Less: ECL allowance on other receivables		–	–	(721)	(2,020)
		34,930	43,888	49,360	39,510
		42,770	54,586	63,686	63,677

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

The ageing analyses of net trade receivables based on the invoice date, net of ECL allowance, is as follows:

Target Group

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	3,480	5,236	6,419	10,794
91 – 180 days	2,137	3,103	4,545	8,356
181 – 365 days	3,328	4,267	5,447	5,618
1 to 2 years	2,653	2,561	3,085	3,990
Over 2 years	2,504	2,656	2,383	2,929
	14,102	17,823	21,879	31,687

Target Company

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	2,056	3,552	4,540	9,044
91 – 180 days	1,338	1,967	2,978	7,078
181 – 365 days	2,011	2,487	3,828	4,060
1 to 2 years	1,233	1,267	1,690	2,391
Over 2 years	1,202	1,425	1,290	1,594
	7,840	10,698	14,326	24,167

The movements in the ECL allowance of trade receivables are as follows:

Target Group

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Balance at the beginning of the year/period	4,952	5,571	9,715	9,715	19,766
ECL allowance recognised	619	4,144	10,051	10,845	12,372
Balance at the end of the year/period	5,571	9,715	19,766	20,560	32,138

Target Company

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Balance at the beginning of the year/period	3,356	3,970	7,029	7,029	13,082
ECL allowance recognised	614	3,059	6,053	6,522	7,552
Balance at the end of the year/period	3,970	7,029	13,082	13,551	20,634

The Target Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors. Details of the credit risk and provision of ECL allowance are set out in note 26.2.

The Target Group and the Target Company did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

a) Other receivables

Other receivables

As at 31 December 2018, 2019, 2020 and 30 June 2021, other receivables included advances to third parties amounting to approximately RMB3,500,000, RMB7,750,000, RMB10,420,000 and RMB10,114,000, respectively, which are unsecured, bore interest at rates ranging from 3% to 24% per annum and repayable in 1 to 12 months. These amounts were settled subsequent to 30 June 2021.

Other deposits

Other deposits mainly represent deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Amounts due from Controlling Shareholder

As at 31 December 2018, the amount due to Controlling Shareholder is unsecured, interest-free and repayable on demand.

Amounts due from related parties

As at 31 December 2018, 2019 and 2020, the amounts are unsecured, interest-free and repayable on demand except for amounts of approximately RMB3,000,000, RMB4,800,000 and RMB8,458,000, respectively, which are unsecured, bore interest at rates ranging from 6% to 7% per annum and repayable in 1 to 12 months. As at 30 June 2021, the amounts are unsecured, interest-free and repayable on demand. These amounts were settled subsequent to 30 June 2021.

ECL allowance of other receivables

ECL allowance of other receivables are assessed individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

	Year ended 31 December			**Six months ended 30 June**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Balance at the beginning of the year/period	–	–	–	–	721
ECL allowance recognised	–	–	721	126	1,299
Balance at the end of the year/period	–	–	721	126	2,020

16. Financial assets at fair value through profit or loss

		As at 31 December			As at 30 June
		2018	**2019**	**2020**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	*(a)*	–	–	–	13,000

Note:

a) The Target Group invested in various wealth management products. These products have no fixed term and have an expected return rate 3.15% per annum. The fair values of these investments were determined based on the expected return rate as stipulated in relevant contracts with the counterparties. The significant unobservable input for the fair value measurement is the expected annual return rate. The higher the expected annual return rate, the higher the fair value. The fair value of the Group's investments in wealth management products have been measured as described in note 26.5.

17. Restricted bank deposits

Restricted bank deposits include balances of RMBNil, RMBNil, RMB1,430,000 and RMB6,958,000 as at 31 December 2018, 2019, 2020 and 30 June 2021, respectively, which have been frozen by the PRC court's pending the outcome of the legal proceedings initiated by PRC banks relating to certain bank borrowing contracts which Guizhou Huaxin had provided the financial guarantees to the independent third parties borrowers. Further details of the financial guarantees issued and the litigations are set out in note 25. The frozen bank balances may not be used by the Target Group until the litigations are resolved.

18. Amount due to Controlling Shareholder

As at 31 December 2018, 2019, 2020 and 30 June 2021, the amount due to Controlling Shareholder is unsecured, interest-free and repayable on demand.

19. Trade and other payables

Target Group

		As at 31 December			As at 30 June
		2018	2019	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
– Third parties		3,404	3,946	4,916	5,320
– Related party	*23(c)*	200	109	174	516
		3,604	4,055	5,090	5,836
Other payables					
Accrued charges and other payables		4,125	2,284	2,477	2,027
Renovation deposits collected from property owners		30,135	31,641	32,263	32,812
Amounts collected on behalf of property owners		7,020	7,856	7,404	6,749
Financial guarantees issued	*25*	19,457	2,871	1,330	–
Litigations provision	*25*	–	–	–	37,750
Other tax liabilities		1,915	2,981	4,439	3,024
Staff costs and welfare accruals		19,381	25,528	23,088	15,916
Amounts due to related parties	*23(c)*	2,651	2,637	2,611	10,181
		84,684	75,798	73,612	108,459
		88,288	79,853	78,702	114,295

Target Company

	Note	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 30 June 2021 RMB'000
Trade payables					
– Third parties		3,320	3,634	4,178	4,664
Other payables					
Accrued charges and other payables		2,689	1,780	1,631	1,338
Renovation deposits collected from property owners		16,710	18,355	19,927	20,197
Amounts collected on behalf of property owners		6,781	7,782	7,330	6,698
Financial guarantees issued	*25*	19,457	2,871	1,330	–
Litigations provision	*25*	–	–	–	37,750
Other tax liabilities		1,704	2,671	4,001	2,825
Staff costs and welfare accruals		15,981	19,415	18,013	11,904
Amounts due to related parties	*23(c)*	2,651	2,637	2,611	10,181
		65,973	55,511	54,843	90,893
		69,293	59,145	59,021	95,557

The Target Group and the Target Company was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analyses of trade payables based on invoice date is as follows:

Target Group

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	1,831	2,491	3,145	2,400
31 – 180 days	1,539	1,293	1,734	2,263
181 – 365 days	51	90	34	1,081
Over 1 year	183	181	177	92
	3,604	4,055	5,090	5,836

Target Company

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	1,649	2,150	2,630	1,821
31 – 180 days	1,442	1,218	1,342	1,730
181 – 365 days	51	90	34	1,023
Over 1 year	178	176	172	90
	3,320	3,634	4,178	4,664

20. Deferred tax assets

Target Group

The movement of deferred tax assets is as follows:

	ECL allowance on trade and other receivables
	RMB'000
At 1 January 2018	663
Recognised in profit or loss *(note 8)*	93
At 31 December 2018 and 1 January 2019	756
Recognised in profit or loss *(note 8)*	513
At 31 December 2019 and 1 January 2020	1,269
Recognised in profit or loss *(note 8)*	1,216
At 31 December 2020 and 1 January 2021	2,485
Recognised in profit or loss *(note 8)*	1,448
At 30 June 2021	3,933

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group had unused tax losses of approximately RMB2,105,000, RMB Nil, RMB Nil and RMB Nil, respectively to carry forward against future taxable income. As at 31 December 2018, 2019 and 2020 and 30 June 2021, no deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at each reporting date will expire in the following years:

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2023	2,105	–	–	–

Target Company

The movement of deferred tax assets is as follows:

	ECL allowance on trade and other receivables
	RMB'000
At 1 January 2018	503
Recognised in profit or loss	92
At 31 December 2018 and 1 January 2019	595
Recognised in profit or loss	459
At 31 December 2019 and 1 January 2020	1,054
Recognised in profit or loss	1,016
At 31 December 2020 and 1 January 2021	2,070
Recognised in profit or loss	1,328
At 30 June 2021	3,398

21. Paid-up capital

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the registered and paid-up capital of the Target Company was RMB10,000,000.

22. Reserves

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Historical Financial Information.

Statutory reserve

In accordance with the relevant laws and regulations for the companies established in the PRC now comprising the Target Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

Capital reserve

The amounts mainly represented the capital injected to Excluded Companies, which are not related to the Target Group's businesses.

Target Company

The movements of the Target Company's reserves are as follows:

	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2018	(47,341)	–	(16,157)	(63,498)
Profit and total comprehensive income for the year	–	–	7,358	7,358
Transactions with owners				
– Deemed distribution	(4,089)	–	–	(4,089)
– Appropriation to statutory reserve	–	736	(736)	–
Total transactions with owners	(4,089)	736	(736)	(4,089)
As at 31 December 2018 and 1 January 2019	(51,430)	736	(9,535)	(60,229)
Profit and total comprehensive income for the year	–	–	18,538	18,538
Transactions with owners				
– Deemed distribution	(161)	–	–	(161)
– Appropriation to statutory reserve	–	1,855	(1,855)	–
Total transactions with owners	(161)	1,855	(1,855)	(161)
As at 31 December 2019 and 1 January 2020	(51,591)	2,591	7,148	(41,852)
Profit and total comprehensive income for the year	–	–	17,719	17,719
Transactions with owners				
– Dividend paid *(note 9)*	–	–	(1,000)	(1,000)
– Appropriation to statutory reserve	–	1,772	(1,772)	–
Total transactions with owners	–	1,772	(2,772)	(1,000)
As at 31 December 2020 and 1 January 2021	(51,591)	4,363	22,095	(25,133)
Loss and total comprehensive expense for the period	–	–	(32,904)	(32,904)
Transactions with owners				
– Dividend paid *(note 9)*	–	–	(7,000)	(7,000)
As at 30 June 2021	(51,591)	4,363	(17,809)	(65,037)

23. Material related party transactions

In addition to the transactions/information disclosed elsewhere in these Historical Financial Information, during the Relevant Periods, the Target Group had the following material transactions with related parties:

(a) During the Relevant Periods, the related parties that had transactions with the Target Group were as follows:

Related parties	Relationship with the Target Group
Guizhou Hesheng Landscape Engineering Co., Ltd. (貴州禾盛景觀工程有限公司)	A company controlled by the Controlling Shareholder
Guizhou Zhongtie Xingya Asset Management Co., Ltd. (貴州中鐵興亞資產管理有限公司)	A company controlled by the Controlling Shareholder

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of that companies as no English name has been registered or available.

(b) During the Relevant Periods, the transactions with related parties of the Target Group carried out in the ordinary course of business were as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Companies controlled by the Controlling Shareholder					
– Revenue arising from provision of property management services	317	46	–	–	–
– Cost of sales arising from provision of subcontracting services	749	1,259	1,346	647	996

(c) Balances with related parties

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Other receivables				
– Companies controlled by the Controlling Shareholder	19,642	30,477	29,382	3,021
Amounts due to related parties				
Trade payables				
– Company controlled by the Controlling Shareholder	200	109	174	516
Other payables *(note)*				
– Companies controlled by the Controlling Shareholder	2,651	2,637	2,611	10,181

Note: The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are denominated in RMB.

(d) Key management personnel remuneration

Key management personnel of the Target Group are the directors of the Target Company, whose emoluments have been disclosed in note 10.

24. Notes to the combined statements of cash flows

The table below set out the reconciliation of liabilities arising from financing activities for each of the Relevant Periods.

	Amount due to Controlling Shareholder *RMB'000*	Amount due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2018	–	2,676	2,676
Cash flows			
– Proceeds	300	–	300
– Repayments	–	(25)	(25)
At 31 December 2018 and 1 January 2019	300	2,651	2,951
Cash flows			
– Proceeds	466	–	466
– Repayments	–	(14)	(14)
At 31 December 2019 and 1 January 2020	766	2,637	3,403
Cash flows			
– Proceeds	660	–	660
– Repayments	–	(26)	(26)
At 31 December 2020 and 1 January 2021	1,426	2,611	4,037
Cash flows			
– Proceeds	9,001	7,570	16,571
At 30 June 2021	10,427	10,181	20,608

25. Financial guarantees issued and litigations

As each reporting date, the Target Group has given financial guarantees as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided	127,350	37,750	37,750	37,750

In prior years, Guizhou Huaxin, which was engaged in provision of financing services, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers ("**Independent Borrowers**") in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. The Target Company had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the above guarantees, upon default of bank borrowings by the Independent Borrowers, Guizhou Huaxin and the Target Company are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties (the "**Default Payment**") owed by the Independent Borrowers to the PRC banks. The Target Group's guarantees periods start from the date of grant of the bank borrowings to two years after the maturity of the bank borrowings. As at 30 June 2021, as advised by the Target Company's PRC legal advisor, there were certain litigations and claims against the Independent Borrowers, Guizhou Huaxin, together with Guizhou Huaxin's shareholders including the Target Company due to default on bank borrowings by the Independent Borrowers, therefore, litigation provision of RMB37,750,000 was made during the six months ended 30 June 2021 (note 19). Also, certain bank balances have been frozen by the PRC banks due to the outstanding litigations mentioned above (note 17). Up to the date of this Accountants' Report, the litigations have not been settled and the directors of the Target Company believed that the litigations and claims might have happened in and/or prior to 2021. The directors were not able to quantify the impact of the appropriate litigation charges during the Relevant Periods due to the loss of the relevant records and documents. Subsequent to 30 June 2021, the Controlling Shareholder has undertaken to indemnify the Target Company against any losses that may result from the non-recovery of the amounts.

26. Financial risk management and fair value measurements

The Target Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management strategy seeks to minimise potential adverse effects on the Target Group's financial performance. Risk management is carried out by the board of directors of the Target Company.

26.1 Categories of financial assets and liabilities

Target Group

The carrying amounts presented in the combined statements of financial position relate to the following categories of financial assets and liabilities.

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost				
– Trade and other receivables	50,195	64,800	71,412	70,971
– Restricted bank deposits	–	–	1,430	6,958
– Bank balances and cash	19,058	21,641	19,019	8,825
Financial assets at FVTPL				
– Wealth management products	–	–	–	13,000
	69,253	86,441	91,861	99,754
Financial liabilities at amortised cost				
– Trade and other payables	66,916	74,001	72,933	73,521
– Amount due to Controlling Shareholder	300	766	1,426	10,427
	67,216	74,767	74,359	83,948

Target Company

The carrying amounts presented in the Target Company's statements of financial position relate to the following categories of financial assets and liabilities.

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
– Trade and other receivables	42,462	54,541	63,609	63,171
– Amount due from a subsidiary	8	201	1,184	686
– Restricted bank deposits	–	–	1,430	6,958
– Bank balances and cash	6,770	6,451	5,099	5,614
	49,240	61,193	71,322	76,429
Financial liabilities at amortised cost				
– Trade and other payables	48,132	53,603	53,690	54,982
– Amount due to Controlling Shareholder	300	766	1,426	7,899
	48,432	54,369	55,116	62,881

26.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at each reporting date as disclosed in note 26.1. The Target Group's credit risk exposures also extend to financial guarantees provided as disclosed in note 25.

(i) Trade receivables

The Target Group's policy is to deal only with credit worthy counterparties. Payment record of customers is closely monitored. It is not the Target Group's policy to request collateral from its customers.

In addition, as set out in note 2.8, the Target Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors (including the change in economic environment arising from COVID-19) affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within credit terms and failure to engage with the Target Group on alternative payment arrangement amongst other are considered indicators of no reasonable expectation of recovery.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the loss allowance provision for trade receivables was determined as follows. The ECL below also incorporated forward-looking information and reflected the change in credit quality:

Target Group

	Third parties				Total
	0 – 90 days	**91 – 180 days**	**181 – 365 days**	**Over 1 year**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Weighted average expected loss rate	12.2%	20.9%	23.0%	40.6%	
Gross carrying amount	3,962	2,702	4,320	8,689	19,673
Loss allowance provision	482	565	992	3,532	5,571
At 31 December 2019					
Weighted average expected loss rate	16.7%	27.8%	33.8%	50.3%	
Gross carrying amount	6,286	4,298	6,449	10,505	27,538
Loss allowance provision	1,050	1,195	2,182	5,288	9,715
At 31 December 2020					
Weighted average expected loss rate	26.2%	36.8%	45.8%	65.2%	
Gross carrying amount	8,695	7,188	10,053	15,709	41,645
Loss allowance provision	2,276	2,643	4,606	10,241	19,766
At 30 June 2021					
Weighted average expected loss rate	28.4%	39.9%	49.7%	70.8%	
Gross carrying amount	15,078	13,906	11,176	23,665	63,825
Loss allowance provision	4,284	5,550	5,558	16,746	32,138

Target Company

	Third parties				Total
	0 – 90 days	**91 – 180 days**	**181 – 365 days**	**Over 1 year**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Weighted average expected loss rate	18.1%	20.9%	23.9%	51.0%	
Gross carrying amount	2,511	1,691	2,642	4,966	11,810
Loss allowance provision	455	353	631	2,531	3,970
At 31 December 2019					
Weighted average expected loss rate	18.6%	29.0%	38.1%	59.1%	
Gross carrying amount	4,364	2,771	4,015	6,577	17,727
Loss allowance provision	812	804	1,528	3,885	7,029
At 31 December 2020					
Weighted average expected loss rate	22.3%	32.8%	46.4%	70.2%	
Gross carrying amount	5,846	4,431	7,143	9,988	27,408
Loss allowance provision	1,306	1,453	3,315	7,008	13,082
At 30 June 2021					
Weighted average expected loss rate	23.1%	33.9%	48.0%	72.6%	
Gross carrying amount	11,762	10,711	7,807	14.521	44,801
Loss allowance provision	2,718	3,633	3,747	10,536	20,634

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, restricted bank deposits, bank balances and cash and the Target Company's amount due from a subsidiary. The Target Group has large number of counterparties for its other receivables other than those from related parties. In order to minimise the credit risk of deposits and other receivables and the Target Company's amount due from a subsidiary, the management would make periodic collective and individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience as well as collateral and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the management is of opinion that there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.8 and, thus, ECL recognised is based on 12-month ECL.

Restricted bank deposits and bank balances and cash are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The directors of the Target Company do not expect that there will be any significant losses from non-performance by these counterparties.

26.3 Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Group is exposed to liquidity risk in respect of settlement of their recognised financial liabilities as summarised in note 26.1, and also in respect of its cash flow management.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2018, 2019 and 2020 and 30 June 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Target Group is committed to pay.

The contractual maturity analyses below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand *RMB'000*	**Total contractual undiscounted amount** *RMB'000*	**Carrying amount** *RMB'000*
As at 31 December 2018			
Trade and other payables	66,916	66,916	66,916
Financial guarantees issued:			
Maximum amount guaranteed *(note 25)*	127,350	127,350	19,457
As at 31 December 2019			
Trade and other payables	74,001	74,001	74,001
Financial guarantees issued:			
Maximum amount guaranteed *(note 25)*	37,750	37,750	2,871
As at 31 December 2020			
Trade and other payables	72,933	72,933	72,933
Financial guarantees issued:			
Maximum amount guaranteed *(note 25)*	37,750	37,750	1,330
As at 30 June 2021			
Trade and other payables	73,521	73,521	73,521
Financial guarantees issued:			
Maximum amount guaranteed *(note 25)*	37,750	37,750	–

Note: As described in note 25, provision of RMB37,750,000 in relation to financial guarantees issued was made during the six months ended 30 June 2021.

26.4 Interest rate risk

The Target Group and the Target Company are mainly exposed to cash flow interest rate risk for its bank deposits. No sensitivity analysis is presented since the directors of the Target Company consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits will not be significant in the near future.

26.5 Fair value measurements

Financial assets and liabilities measured at fair value in the combined statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

– Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The reconciliation of the carrying amounts of the Target Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Level 3
	RMB'000
Assets	
Wealth management products	
As at 1 January 2018, 31 December 2018, 1 January 2019, 31 December 2019 and 1 January 2020	–
Purchase	12,000
Sales proceeds	(12,000)
As at 31 December 2020 and 1 January 2021	–
Purchase	13,000
As at 30 June 2021	13,000

There was no transfer into or out of level 3 during the year ended 31 December 2020 and six months ended 30 June 2021.

The fair values of these investments were determined based on the expected return rate as stipulated in relevant contracts with the counterparties.

The fair values of the Target Group's financial assets and liabilities other than financial assets at FVTPL are not materially different from their carrying amounts because of the immediate or short maturity of these financial instruments.

27. Capital management

The Target Group's capital management objectives are to ensure the Target Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term. The Target Group relies on financial support from the Controlling Shareholder.

The Target Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of the Target Company consider cost of capital and the risks associated with the paid-up capital. The Target Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiary in respect of any period subsequent to 30 June 2021.

*Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2020 and the six months ended 30 June 2021 (the "**Track Record Period**"). The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.*

BUSINESS REVIEW

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a property management company and located in Guiyang, Guizhou province, the PRC, with not less than 10.1 million square meters of contracted GFA and 6.4 million square meters of GFA under its management as at the Latest Practicable Date.

Guizhou Zhongtie Xinglong Property Management Co., Ltd.* (貴州中鐵興隆物業管理有限公司) ("**Guizhou Zhongtie PM**") is a company incorporated in the PRC with limited liability. Its equity interest is held as to 81% by the Target Company and 19% by Longli County Tiewujian Real Estate Development Co., Ltd* (龍里縣鐵五建置業有限責任公司) ("**Longli Tiewujian**"), which is an independent third party to the Group and its Connected Persons. Guizhou Zhongtie PM is principally engaged in property management services in the PRC.

Property Management Services

The Target Group is principally engaged in the provision of property management services and related valued-added services in the PRC. The services include security, cleaning, greening, gardening services as well as repair and maintenance services. Its property management portfolio focuses on residential communities but also covers other types of properties such as commercial properties.

FINANCIAL REVIEW

Revenue

During the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, the Target Group's total revenue amounted to approximately RMB107.3 million, RMB126.2 million, RMB155.0 million, RMB74.4 million and RMB75.7 million, respectively. The increasing trend in revenue was mainly due to the introduction of new projects and expansion of GFA under management, which contributed to the increase in the Target Group's revenue from property management services.

The following table sets forth a breakdown of the Target Group's revenue by business segment for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from external customers and recognised over time					
Property management services	80,404	92,322	121,074	61,403	60,772
Community value-added services	26,857	33,906	33,944	13,002	14,881
Total	107,261	126,228	155,018	74,405	75,653

Cost of sales

For the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, the Target Group's cost of sales amounted to approximately RMB90.2 million, RMB103.5 million, RMB105.7 million, RMB50.2 million and RMB53.4 million, respectively. The increasing trend in cost of sales mainly resulted from the scale-up of the Target Group's business.

Gross profit

During the three years ended 31 December 2020, the Target Group's gross profit increased steadily. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Target Group recorded gross profit of approximately RMB17.1 million, RMB22.7 million, RMB49.3 million, RMB24.2 million and RMB22.3 million, respectively; and overall gross profit margin of approximately 15.9%, 18.0%, 31.8%, 32.5% and 29.5%, respectively.

The significant increase in the Target Group's gross profit margin for the year ended 31 December 2020 was primarily attributable to a few new property management projects were awarded and passed to the Target Group approaching the end of year 2019 and the first half of year 2020, while the residents had yet to move in to those properties under management. Accordingly, the cost of sales of the Target Group remained at similar level for the year ended 31 December 2020 while the Target Group's revenue increased significantly. In addition, there was a government incentive on social insurance and housing fund contribution during the epidemic in 2020. The decrease in the Target Group's gross profit margin for the six months ended 30 June 2021 compared to the corresponding period in 2020 was due to that the residents of the aforementioned properties gradually moved in during the first half of year 2021, which incurs certain initial management costs and some routine management costs in portion to number of residents.

Other income

The Target Group recorded other income of approximately RMB1.9 million, RMB17.0 million, RMB3.3 million, RMB2.7 million and RMB1.5 million for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, respectively. Other income of the Target Group consisted of (i) interest income; (ii) unconditional government grants; (iii) and financial guarantees income.

The significant increase in the Target Group's other income for the year ended 31 December 2019 compared to the corresponding period in 2018 was mainly due to increase in financial guarantee income of approximately RMB14.8 million. The decrease in other income for the year ended 31 December 2020 of approximately RMB13.7 million was mainly due to the decrease in financial guarantee income of approximately RMB15.0 million, which partially offset by the increase in unconditional government grants of approximately RMB1.1 million. The decrease in the Target Group's other income for the six months ended 30 June 2021 compared to the corresponding period in 2020 was due to the decrease in unconditional government grants and financial guarantee income of approximately RMB1.0 million and RMB0.4 million respectively.

Expected credit loss ("ECL") allowance on trade and other receivables

The Target Group recorded ECL allowance on trade and other receivables of approximately RMB0.6 million, RMB4.1 million, RMB10.8 million, RMB11.0 million and RMB13.7 million for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, respectively. The significant increase in the Target Group's ECL allowance on trade and other receivables for the years ended 31 December 2019 and 2020 was as a result of (i) decrease in the proportion of owners' advance payment as affected by COVID-19, (ii) no improvement in the collection rate of the receivables; (iii) increase in accumulated outstanding fees; and (iv) extended aging period for the historical outstanding fees. The increase in the Target Group's ECL allowance on trade and other receivables for the six months ended 30 June 2021 compared to the six months ended 30 June 2020 was mainly due to (i) no improvement in the proportion of owners' advance payment as a result of the ripple effect due to COVID-19; and (ii) extended aging period for the historical outstanding fees.

Administrative expenses

For the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, the Target Group's administrative expenses amounted to approximately RMB14.0 million, RMB15.1 million, RMB13.3 million, RMB5.6 million and RMB44.6 million, respectively. The significant increase in the Target Group's administrative expenses for the six months ended 30 June 2021 compared to the six months ended 30 June 2020 was mainly due to the provision for legal claim of approximately RMB37,750,000 as a result of Guizhou Huaxin, one of the Excluded Group Companies, had provided financial guarantees to independent third parties borrowers ("**Borrowers**") in relation to the bank borrowings obtained by the Borrowers from certain PRC banks, and the Target Company had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the guarantee contracts, upon default of the bank borrowings by the Borrowers, Guizhou Huaxin and Target Company are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties owed by the Borrowers to the PRC banks. As at 30 June 2021, as advised by the Target Company's PRC legal advisor, there were certain litigations and claims against the Borrowers, Guizhou Huaxin, together with Guizhou Huaxin's shareholders including the Target Company, therefore, a litigation provision of approximately RMB37,750,000 was made during the six months ended 30 June 2021.

The following table sets forth a summary of the Target Group's administrative expenses for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Items by nature					
Travelling and transportation	826	647	583	157	193
Staff welfare expenses	1,949	2,833	777	490	622
Staff salaries	6,545	8,395	7,540	3,201	4,011
Legal & professional fee	501	1,198	2,100	514	378
Provision for legal claim	–	–	–	–	37,750
Penalty	2,515	–	–	–	–
Others*	1,698	1,991	2,274	1,245	1,632
Total	14,034	15,064	13,274	5,607	44,586

* Others consist of Amortization, Bank charge, Depreciation, Entertainment expenses, Loss on disposal, Printing and stationery and Sundry expense.

Profit/Loss for the year/period

The Target Group recorded profits for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2020 of approximately RMB2.9 million, RMB19.7 million, RMB25.7 million and RMB9.6 million, respectively, and a loss for the six months ended 30 June 2021 of approximately RMB34.7 million. The significant increase in profit of approximately RMB16.8 million or 584.3% for the year ended 31 December 2019 was mainly due to (i) increase in gross profit of approximately RMB5.6 million; and (ii) increase in other income of approximately RMB15.1 million; which partially offset by the increase in ECL allowance on trade and other receivables and administrative expenses of approximately RMB3.5 million and RMB1.0 million respectively. The increase in profit for the year ended 31 December 2020 was mainly attributed to significant increase in gross profit of approximately RMB26.6 million, which was partially offset by the increase in ECL allowance on trade and other receivables of approximately RMB6.6 million. The turnaround from profit for the six months ended 30 June 2020 to loss for the six months ended 30 June 2021 was mainly due to the increase in administrative expenses of approximately RMB39.0 million.

Trade and other receivables

As at 31 December 2018, 2019 and 2020, and 30 June 2021, trade receivables of the Target Group (after deduction of ECL allowance) amounted to approximately RMB14.1 million, RMB17.8 million, RMB21.9 million and RMB31.7 million, respectively. The increase in the amount of trade receivables corresponded with the increase in the Target Group's revenue.

As at 31 December 2018, 2019 and 2020, and 30 June 2021, other receivables of the Target Group amounted to approximately RMB36.4 million, RMB47.0 million, RMB49.7 million and RMB39.9 million, respectively. Other receivables mainly consist of (i) prepayments, deposits and other receivables; and (ii) amounts due from related parties. The increase in other receivables from 31 December 2018 to 31 December 2019 was mainly due to the increase in amounts due from related parties of approximately RMB10.8 million. The further increase in other receivables from 31 December 2019 to 31 December 2020 was primarily due to the increase in prepayments, deposits and other receivables of approximately RMB4.3 million. The significant decrease in other receivables from 31 December 2020 to 30 June 2021 was a result of the decrease in amounts due from related parties of approximately RMB26.4 million, which partially offset by the increase in prepayments, deposits and other receivables of approximately RMB17.9 million.

Financial assets at fair value through profit or loss

As at 31 December 2018, 2019 and 2020, and 30 June 2021, the Target Group had financial assets at fair value through profit or loss of approximately nil, nil, nil and RMB13.0 million, respectively. The financial assets at fair value through profit or loss arise from the Target Group's investment in various wealth management products during the six months ended 30 June 2021, and these products have no fixed term and have an expected return rate of 3.15% per annum. The fair values of these investments were determined based on the expected return rate as stipulated in relevant contracts with the counterparties.

Restricted bank deposits

The Target Group had restricted bank deposits of approximately nil, nil, RMB1.4 million and RMB7.0 million as at 31 December 2018, 2019 and 2020, and 30 June 2021 respectively. The deposits have been frozen as a result of the court orders issued by the PRC court due to the outstanding litigations mentioned above. The frozen bank balances may not be used by the Target Group until the litigations are resolved.

Bank balances and cash

The Target Group had bank balances and cash as at 31 December 2018, 2019 and 2020, and 30 June 2021 in the amounts of approximately RMB19.1 million, RMB21.6 million, RMB19.0 million and RMB8.8 million, respectively. The majority of the bank balances and cash were held in the form of bank deposits, with the remaining balances in the form of cash at bank and in hand. As at 30 June 2021, no bank balance was pledged for borrowings.

Contract liabilities

Contract liabilities of the Target Group mainly arise from the advance payments made by the customers while the underlying services are yet to be provided. As at 31 December 2018, 2019 and 2020, and 30 June 2021, contract liabilities of the Target Group amounted to approximately RMB37.6 million, RMB42.3 million, RMB29.1 million and RMB34.5 million, respectively. The increase in contract liabilities from 31 December 2018 to 31 December 2019 was primarily due to the increase in the Target Group's GFA under management and customer base during the year. The significant decrease in contract liabilities from 31 December 2019 to 31 December 2020 was mainly due to the decrease in proportion of owners' advance payment as affected by COVID-19.

Amount due to controlling Shareholder

As at 31 December 2018, 2019 and 2020, and 30 June 2021, amount due to Controlling Shareholder of the Target Group amounted to approximately RMB0.3 million, RMB0.8 million, RMB1.4 million and RMB10.4 million, respectively. The significant increase in amount due to Controlling Shareholder during the six months ended 30 June 2021 was mainly due to disposal of properties in the aggregate amount of approximately RMB7.7 million to independent third parties, cash proceeds of which will be returned to the then controlling Shareholder.

Trade and other payables

As at 31 December 2018, 2019 and 2020, and 30 June 2021, trade payables of the Target Group amounted to approximately RMB3.6 million, RMB4.1 million, RMB5.1 million and RMB5.8 million, respectively. The increase in trade payables during the year ended 31 December 2020 and the six months ended 30 June 2021 was mainly due to the amount payable to third parties resulted from the scale-up of the Target Group's business.

As at 31 December 2018, 2019 and 2020, and 30 June 2021, other payables of the Target Group amounted to approximately RMB84.7 million, RMB75.8 million, RMB73.6 million and RMB108.5 million, respectively. Other payables of the Target Group mainly consist of (i) renovation deposits collected from property owners; (ii) financial guarantees issued; (iii) litigations provision; and (iv) staff costs and welfare accruals. The decrease in other payables for the year ended 31 December 2019 was mainly due to the decrease in financial guarantees issued of approximately RMB16.6 million, which partially offset by the increase in staff costs and welfare accruals of approximately RMB6.1 million. The significant increase in other payables for the six months ended 30 June 2021 as a combined effect of (i) increase in (a) litigations provision of approximately RMB37,750,000; and (b) amounts due to related parties of approximately RMB7.6 million; and (ii) decrease in (a) staff costs and welfare accruals of approximately RMB7.2 million; (b) other tax liabilities of approximately RMB1.4 million; and (c) financial guarantees issued from approximately RMB1.3 million to nil.

Gearing

As at 31 December 2018, 2019 and 2020, and 30 June 2021, the Target Group did not have any outstanding debt (including bank borrowings and notes payable) and accordingly the Target Group did not have any gearing ratio for the corresponding period.

Capital structure

As at 31 December 2018, 2019 and 2020, and 30 June 2021, the Target Group's bank balances and cash were mainly denominated in Renminbi.

As at 31 December 2018, 2019 and 2020, and 30 June 2021, capital deficiencies attributable to the equity shareholders of the Target Group amounted to approximately RMB56.9 million, RMB37.6 million, RMB23.0 million and RMB64.3 million, respectively. The capital deficiencies of the Target Group are mainly due to (i) the legal claims made in the during prior years in aggregate of approximately RMB37,750,000 as a result of the Target Group's provision of financial guarantees to Guizhou Huaxin, which had been charged through the Target Group's profit or loss in the relevant years and reduced the balance of reserve account in the six months ended 30 June 2021 in the capacity as the guarantor; (ii) the ECL charged through profit or loss for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 in aggregate of approximately RMB29,206,000, which in turn reduced the reserve account; and (iii) the exclusion of Excluded PPE in the amount of approximately RMB14,676,000 from the Target Group's property, plant and equipment which has been set off with the Target Group's reserve account.

Liquidity and financial resources

During the Track Record Period, the Target Group's principal use of cash was working capital, which was mainly funded from cash flow generated from operations. In the foreseeable future, it is expected that cash flow generated from operations will continue to be the principal source of liquidity.

As at 31 December 2018, 2019 and 2020, and 30 June 2021, the Target Group did not have any bank borrowings or capital commitment.

Significant investments, material acquisitions and disposals

During the Track Record Period, the Target Group did not have any significant investments, material acquisitions and disposals.

Contingent liabilities

As at 30 June 2021, save for the litigation provision in the amount of approximately RMB37,750,000 as detailed in note 25 to the financial statements of the Target Group in Appendix II to this circular, the Target Group did not have any contingent liabilities.

Charge on assets

As at 30 June 2021, save for the restricted bank deposits in the amount of RMB6,958,000 being frozen, assets of the Target Group were not charged to any parties.

Foreign exchange risk

The principal activities of the Target Group were conducted in the PRC, and the Target Group's income and expenses were denominated in Renminbi. Therefore, the Target Group was not exposed to material risks directly relating to foreign exchange rate fluctuation and did not enter into any contracts to hedge its exposure to foreign exchange risks.

Future plans for material investments or capital assets

As at 30 June 2021, the Target Group did not have any plan for material investments or capital assets.

Employment and remuneration policy

The Target Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to the staff of the Target Group is fixed by reference to the duties and prevailing market rates in the region. Discretionary performance bonuses after assessments are paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Target Group has participated in different social welfare plans for its employees.

As at 31 December 2018, 2019 and 2020, and 30 June 2021, the Target Group had 579, 777, 1,217 and 1,247 employees, respectively.

Prospects

The Target Group has a wide geographical coverage of property projects, strong brand strength and service quality. It plans to continue to promote low-cost brand expansion strategy and achieve business expansion through securing new contracts from small and medium property developers, governments, industry parks and schools. In addition to continuing to expand its business scale, it will also maintain service quality and owners' satisfaction, as well as to focus on obtaining new market opportunities through bidding for new property management projects for expansion. The Target Group will selectively evaluate the opportunities in the surrounding areas of its existing business locations, increase the density of projects through business expansion, and realise geographical synergy and complementary effects among regions, so as to further enhance its management efficiency, maximise the economies of scale and maintain a reasonable balance between the geographic coverage and profitability of its property management services. Despite the considerable amount of ECL charged through the Target Group's profit or loss during the Track Record Period, the Target Group have been, save for the six months ended 30 June 2021, profit making throughout the whole Track Record Period. The Group sees the quality and the potential of the Target Group while acknowledges the unsatisfactory historical management fee collection capability of the Target Group. Since Closing, the Group has been utilizing its expertise in property management and experienced and competent property management property management team to enhance the management fee collection mechanism and procedure to gradually improve the degree of ECL and expect to turn the Target Group's net liabilities position to net assets position by no later than 31 December 2022.

A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to the unaudited pro forma financial information

The following is an illustrative unaudited pro forma consolidated statement of financial position of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), being Hevol Services Group Co. Limited and its subsidiaries (collectively referred to as the "**Group**") together with the equity interest in Guiyang Xinglong Property Management Co., Ltd. (the "**Target Company**") and its subsidiary, namely Guizhou Zhongtie Xinglong Property Management Co., Ltd. (collectively referred as to the "**Target Group**"), excluding equity interests of 100% in Guizhou Xinglong Housekeeping Co., Ltd. (貴州興隆家政服務有限公司), 63.64% in Chengdu Kairuier Pharmaceutical Technology Co., Ltd. (成都凱瑞爾醫藥科技有限公司), 55% in Guizhou Zhongtie Jida Real Estate Development Co., Ltd. (貴州中鐵吉達房地產開發有限公司), 49% in Guizhou Xinglong Youzhi Property Management Co., Ltd. (貴州興隆優智物業服務有限公司), 30% in Guizhou Zhongtie Xingya Asset Management Co., Ltd. (貴州中鐵興亞資產管理有限公司), 30% in Guizhou Xinglong Yishenghuo Technology Property Services Co., Ltd. (貴州興隆逸生活科技物業服務有限公司), 24.99% in Guizhou Henghui Property Management Services Co., Ltd. (貴州恒滙物業管理服務有限公司), 18.69% in Guizhou Province Wenshui Hotel Management Co., Ltd. (貴州省問水酒店管理有限責任公司), 17.92% in Guizhou Huaxin Financing Guarantee Co., Ltd (貴州華信融資擔保有限公司) ("**Guizhou Huaxin**") and 5% in Guizhou Taihai Hejia Property Management Co., Ltd. (貴州台海合家物業服務有限公司) held by the Target Company (together, the "**Excluded Companies**") and properties held by the Target Group (together, the "**Excluded Portions**"), which have been prepared 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" issued by the Hong Kong Institute of Certified Public Accountants, solely for the purpose of illustrating the effect of the proposed acquisition of 70% equity interest of the Target Group (the "**Proposed Acquisition**") pursuant to the sale and purchase agreement dated 22 July 2021 (the "**Sale and Purchase Agreement**") on the consolidated financial position of the Enlarged Group as at 30 June 2021 as if the Proposed Acquisition and disposal of Excluded Portions had been completed on 30 June 2021 as set out for inclusion in this circular (the "**Circular**").

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 which has been extracted from the Group's interim report for the six months ended 30 June 2021 dated 27 August 2021; and (ii) the audited combined statement of financial position of the Target Group as at 30 June 2021 which has been extracted from the accountants' report thereon set out in Appendix II to the Circular, after making pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable as if the Proposed Acquisition had been undertaken as at 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared by the directors based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Proposed Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group as set out in the Company's published interim report for the six months ended 30 June 2021. The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition disposal of Excluded Portions been completed as at 30 June 2021 or any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the published interim report of the Company for the six months ended 30 June 2021 and other financial information included elsewhere in the Circular.

(ii) Unaudited pro forma consolidated statement of financial position

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro Forma Adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	15,839	1,369				17,208
Intangible assets	58,622	527	36,840			95,989
Investment properties	29,274	–				29,274
Goodwill	150,074	–	152,454			302,528
Deferred tax assets	8,463	3,933				12,396
	262,272	5,829				457,395
Current assets						
Inventories	407	64				471
Trade and other receivables	243,499	71,632				315,131
Financial assets at fair value through profit or loss	–	13,000				13,000
Restricted bank deposits	–	6,958				6,958
Bank balances and cash	365,645	8,825	(106,800)	(1,900)		265,770
	609,551	100,479				601,330
Current liabilities						
Trade and other payables	225,671	114,295	12,250			352,216
Contract liabilities	82,168	34,520				116,688
Amount due to non-controlling interest					10,427	10,427
Amount due to Controlling Shareholder	–	10,427			(10,427)	–
Lease liabilities	1,379	–				1,379
Income tax liabilities	13,974	9,921				23,895
	323,192	169,163				504,605

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro Forma Adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Net current assets/(liabilities)	286,359	(68,684)				96,725
Total assets less current liabilities	548,631	(62,855)				554,120
Non-current liabilities						
Lease liabilities	142	–				142
Deferred tax liabilities	20,186	–	5,526			25,712
	20,328	–				25,854
Net assets/(liabilities)	528,303	(62,855)				528,266
EQUITY						
Issued capital	39	10,000	(10,000)			39
Reserves	474,034	(74,288)	74,288	(1,900)		472,134
Equity attributable to the equity holders of the Company	474,073	(64,288)				472,173
Non-controlling interests	54,230	1,433	430			56,093
Total equity/(Capital deficiencies)	528,303	(62,855)				528,266

Notes:

1. The consolidated statement of financial position of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, as set out in the published interim report of the Company for the six months ended 30 June 2021.

2. The combined statement of financial position of the Target Group as at 30 June 2021 are extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular.

3. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method of accounting in accordance with International Financial Reporting Standard 3 (Revised) "Business Combinations". For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the allocation of the purchase consideration is determined based on the estimates of the fair values of the identifiable assets and liabilities of the Target Group made by the directors of the Company, and by reference to a valuation report issued by International Valuation Limited, an independent qualified valuer, as if the Proposed Acquisition and disposal of Excluded Portions were completed on the 30 June 2021.

The goodwill arising from the Proposed Acquisition is calculated as follows:

	Notes	*RMB'000*
Cash consideration	*(a)*	156,800
Less: Adjusted net identifiable assets acquired (note):		
Carrying amounts of net liabilities of the Target Group		(62,855)
Fair value adjustments	*(b)*	31,314
Adjustment on litigations provision	*(c)*	37,750
Total adjusted net assets acquired		6,209
Less: Non-controlling interests of the Target Group*		(1,863)
Identifiable assets acquired and liabilities assumed		4,346
Goodwill arising from the Proposed Acquisition	*(d)*	152,454

* The amount of non-controlling interests of approximately RMB1,863,000 is calculated at 30% of the total adjusted fair value of identifiable assets and liabilities of approximately RMB6,209,000 attributable to owners of the Target Group.

a) Pursuant to the Sale and Purchase Agreement, the cash consideration for the Proposed Acquisition amounted to RMB156,800,000, of which RMB50,000,000 will be payable subject to the payment terms of the Sales and Purchase Agreement. The consideration will be financed by internal resources of the Group.

b) Fair values of the identifiable assets acquired and liabilities assumed of the Target Group are as follows:

	Notes	**Carrying amount** *RMB'000*	**Fair value adjustment** *RMB'000*	**Fair value** *RMB'000*
Property, plant and equipment		1,369	–	1,369
Intangible assets	*(i)*	527	36,840	37,367
Deferred tax assets		3,933	–	3,933
Inventories		64	–	64
Trade and other receivables		71,632	–	71,632
Financial assets at fair value through profit or loss		13,000	–	13,000
Restricted bank deposits		6,958	–	6,958
Cash and cash equivalents		8,825	–	8,825
Contract liabilities		34,520)	–	(34,520)
Trade and other payables		(114,295)	–	(114,295)
Amount due to controlling shareholder		(10,427)	–	(10,427)
Income tax liabilities		(9,921)	–	(9,921)
Deferred tax liabilities	*(ii)*	–	(5,526)	(5,526)
Net liabilities		(62,855)	31,314	(31,541)

Notes:

(i) This represents the fair value adjustment for the Target Group's customer relationship amounted to approximately RMB36,840,000.

(ii) Deferred tax liabilities amounting to approximately RMB5,526,000 is calculated based on the total fair value adjustments of the intangible assets calculated at the applicable People's Republic of China enterprise income tax rate of 15%.

c) Pursuant to the Sales and Purchase Agreement of the Proposed Acquisition, the sellers have undertaken to indemnify the Group against any losses arising from the litigations and claims against the Target Group which had been incurred before the completion of the Proposed Acquisition. As a result, litigation provision of RMB37,750,000 has been adjusted for the purpose of the preparation of the Unaudited Pro Forma Financial Information.

d) In the preparation of the Unaudited Pro Forma Financial Information, fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2021 were used to determine the goodwill of the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair values of the identifiable assets and liabilities of the Target Group as at the date of completion will be used to determine the actual amount of goodwill of the Proposed Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

The directors of the Company have assessed whether there is any impairment in respect of the pro forma intangible assets and goodwill expected to arise from the Proposed Acquisition, on a pro forma basis, in accordance with International Accounting Standard 36 "Impairment of Assets", and concluded that there is no impairment on the pro forma intangible assets and goodwill arising on the Proposed Acquisition.

4. The adjustment represents estimated legal and professional fees and other expenses of approximately RMB1,900,000 directly attributable to the Proposed Acquisition and the amounts will be recognised in profit or loss.

5. The adjustment represents reclassification from amount due to Controlling Shareholder to amount due to non-controlling interest as the seller is no longer the Controlling Shareholder of the Enlarged Group upon the completion of the Proposed Acquisition.

6. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2021.

B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Circular.

Grant Thornton
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF HEVOL SERVICES GROUP CO. LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hevol Services Group Co. Limited (the "**Company**") and its subsidiaries, (collectively the "**Group**"), and Guiyang Xinglong Property Management Co., Ltd. (the "**Target Company**") and its subsidiary, namely Guizhou Zhongtie Xinglong Property Management Co., Ltd. (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2021 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in IV-1 to IV-6 of the Company's circular dated 22 December 2021 (the "**Circular**") in connection with the proposed acquisitions of 70% equity interest of the Target Group (hereinafter collectively referred to as the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2021 as if the Proposed Acquisition had taken place at 30 June 2021. As part of this process, information about the Group's financial position as at 30 June 2021 has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2021, on which no audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting 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 ("**HKSAE**") 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 of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in this Circular is solely to illustrate the impact of a significant event or transaction on the 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 Proposed Acquisition at 30 June 2021 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 of the Company 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' judgement, 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 by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

22 December 2021

Han Pui Yu
Practising Certificate No: P07101

INTERNATIONAL VALUATION LIMITED
國際評估有限公司

December 22, 2021

The Board of Directors
Hevol Services Group Co. Limited
16th Floor, Block D
Newlogo International Building
No. 18A Zhongguancun South Street
Haidian District, Beijing
People's Republic of China

Ref: 20211819

Dear Sir and Madam,

International Valuation Limited ("**IVL**") has concluded its analysis on the 70% equity interest in 貴陽興隆物業管理有限公司 (the "**Target Company**") and its subsidiary namely Guizhou Zhongtie Xinglong Property Management Co., Ltd. (貴州中鐵興隆物業管理有限公司) ("**Guizhou Zhongtie PM**") (together as the "**Target Group**"). The purpose of this engagement is to estimate the market value of the 70% equity interest in the Target Group as of March 31, 2021 (the "**Valuation Date**").

Our work is designed solely to assist the management (the "**Management**") of Hevol Service Group Co. Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 70% equity interest in the Target Group as of the Valuation Date for major transaction reference purpose.

This report states our scope of work and purpose of appraisal, identifies the business appraised, economic and industry overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 70% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for major transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2020. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of the 70% equity interest in the Target Group is determined on majority shares and going concern bases.

SCOPE OF THE ENGAGEMENT

Our services included performing a valuation on the equity interest of the Target Group as of the Valuation Date.

In the process of the valuation under this engagement, we relied on business and financial information of the Target Group provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Group;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Group, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Target Group;
  - Gain a more thorough understanding of the nature and operations of the Target Group including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Target Group operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

A. This letter, which describes the nature and extent of the valuation investigation, and presents the conclusion of value; and

B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

SOURCES OF INFORMATION

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Share purchase agreement entered into by the Company in relation to the acquisition of 70% equity interest in the Target Group;
- Financial due diligence report for the Target Group;
- Project and contracts summary of the properties under management by the Target Group;
- Audited financial statements of the Target Group for the year ended December 31, 2020; and
- Unaudited management accounts of the Target Group for the three months ended March 31, 2020 and March 31, 2021.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we have discussed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

CONCLUSION

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 70% equity interest in the Target Group as of March 31, 2021 is reasonably represented in the amount of approximately, **RENMINBI THREE HUNDRED FIFTY EIGHT MILLION EIGHT HUNDRED FOURTEEN THOUSAND ONLY (RMB358,814,000).**

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,
International Valuation Limited

CONTENTS

1 INTRODUCTION

Description of the Assignment

International Valuation Limited ("**IVL**") has concluded its analysis on the 70% equity interest in 貴陽興隆物業管理有限公司 (the "**Target Company**") and its subsidiary namely Guizhou Zhongtie Xinglong Property Management Co., Ltd. (貴州中鐵興隆物業管理有限公司) ("**Guizhou Zhongtie PM**") (together as the "**Target Group**"). The purpose of this engagement is to estimate the market value of the 70% equity interest in the Target Group as of March 31, 2021 (the "**Valuation Date**").

Our work is designed solely to assist the management (the "**Management**") of Hevol Service Group Co. Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 70% equity interest in the Target Group as of the Valuation Date for major transaction reference purpose.

The report was prepared in accordance with International Valuation Standards 2020. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of the 70% equity interest in the Target Group is determined on majority shares and going concern bases.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Group;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Group, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
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- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Target Group operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

Sources of Information

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Share purchase agreement entered into by the Company in relation to the acquisition of 70% equity interest in the Target Group;
- Financial due diligence report for the Target Group;
- Project and contracts summary of the properties under management by the Target Group;
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Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we have discussed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

2 PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 70% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for major transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

3 OVERVIEW OF THE TARGET GROUP

Business Descriptions

The Target Company is a company incorporated in the People's Republic of China ("**PRC**") with limited liability. The Target Company is a property management company and located in Guiyang, Guizhou province, the PRC, with not less than 10.1 million square meters of contracted gross floor area ("**GFA**") and 6.4 million square meters of GFA under its management.

Guizhou Zhongtie PM is a company incorporated in the PRC with limited liability. Its equity interest is held as to 81% by the Target Company and 19% by Longli County Tiewujian Real Estate Development Co., Ltd (龍里縣鐵五建置業有限責任公司). Guizhou Zhongtie PM is principally engaged in property management services in the PRC.

Pursuant to the sales and purchase agreement dated July 22, 2021 in relation to the acquisition of the 70% equity interest of the Target Company, the following group companies (the "**Excluded Group Companies**") will be spun off from the Target Company within 1 year from the of the acquisition, such that the Target Group will only consist of the Target Company and Guizhou Zhongtie PM:

1. Chengdu Kairuier Pharmaceutical Technology Co., Ltd. (成都凱瑞爾醫藥科技有限公司)

2. Guizhou Zhongtie Jida Real Estate Development Co., Ltd. (貴州中鐵吉達房地產開發有限公司)

3. Guizhou Xinglong Youzhi Property Management Co., Ltd. (貴州興隆優智物業服務有限公司)

4. Guizhou Zhongtie Xingya Asset Management Co., Ltd. (貴州中鐵興亞資產管理有限公司)

5. Guizhou Xinglong Yishenghuo Technology Property Services Co., Ltd. (貴州興隆逸生活科技物業服務有限公司)

6. Guizhou Huaxin Financing Guarantee Co., Ltd. (貴州華信融資擔保有限公司)

7. Guizhou Taihai Hejia Property Management Co., Ltd. (貴州台海合家物業服務有限公司)

8. Guizhou Xinglong Housekeeping Co., Ltd. (貴州興隆家政服務有限公司)

9. Guizhou Province Wenshui Hotel Management Co., Ltd. (貴州省問水酒店管理有限責任公司)

10. Guizhou Henghui Property Management Services Co., Ltd. (貴州恒滙物業管理服務有限公司)

The Excluded Group Companies were not included in this valuation of the Target Group as of the Valuation Date.

4 ECONOMIC OVERVIEW

Overview of China Economy

ECONOMIC GROWTH: According to the National Bureau of Statistics of China, the Chinese economy grew by a seasonally adjusted 0.6 percent on quarter in the three months to March 2021, following an upwardly revised 3.2 percent advance in the previous quarter and less than market expectations of a 1.5 percent expansion. This was the weakest quarterly growth since a contraction recorded in the first quarter of 2020.

INFLATION: The consumer price index in China rose by 0.4 percent year-on-year in March 2021, after a 0.2 percent drop a month earlier and compared with market consensus of a 0.3 percent gain. This was the highest reading since October 2020, amid a sharp rebound in cost of for non-food goods. At the same time, cost of household goods and services was flat after falling by 0.2 percent in February, while prices of other goods and services fell further. Food prices dropped 0.7 percent, the second straight fall, with prices of pork declining faster. On a monthly basis, consumer prices went down 0.5 percent in March, the first decline in four months, following a 0.6 percent rise in February.

EXCHANGE RATES: Renminbi had strengthen to RMB6.5518: USD1 in March 2021 from RMB7.0808: USD1 in March 2020.

EXTERNAL SECTOR: According to National Bureau of Statistics of China, in the first quarter of 2021, China's foreign trade volume in goods reached RMB8.47 trillion, up by 29.2 percent on a yearly basis. Exports grew by 38.7 percent to RMB4.61 trillion and imports increased by 19.3 percent to RMB3.86 trillion. The trade surplus surged by 690.6 percent to RMB759.29 billion. In the first quarter of 2021, Association of Southeast Asian Nations, European Union, US and Japan, as China's top four trading partners, saw trade volumes with China reach RMB1.24 trillion, RMB1.19 trillion, RMB1.08 trillion and RMB561.42 billion, up by 26.1 percent, 36.4 percent, 61.3 percent and 20.8 percent, respectively. Trade with countries involved in the BRI and Regional Comprehensive Economic Partnership trading partners grew by 21.4 percent and 22.9 percent, respectively. Overall, China's foreign trade has been recovering and growing since this year, witnessing more positive factors. Meanwhile, it is noted that as the COVID-19 pandemic continues to spread worldwide, the international economic landscape remains grim and complicated, and foreign trade is faced with instability and uncertainties.

5 INDUSTRY OVERVIEW

The market research report on the property management industry in China, issued by the China Index Academy, showed that the industry was growing in a fast pace, with the average revenue of the top 100 property management companies increased from RMB540.8 million in 2015 to RMB1,040.2 million in 2019. Large-scale property management companies actively accelerate their expansion through mergers and acquisitions, in order to expand the scale of property management and realize economies of scale to improve their market position. In terms of the GFA under management, the market share of top 10 property management companies increased from 7.6 percent in 2015 to 9.2 percent in 2019. As a result, the market continues to become more concentrated.

Traditionally, property developers usually award new projects to their respective property management arms or strategic partners, which is the major way for property managers to obtain projects for growth. In recent years, many reputable property managers have started to tender for new projects by third-party developers that do not have a property management arm. Also, as the property sales market enters into a matured stage with moderate sales growth, the proportion of GFA for management from the secondary market is becoming increasingly meaningful.

Value-added services ("**VAS**") are emerged from the basic property management services recently. VAS to non-property owners are generally related to property sales and consultancy services, while VAS to property owners are related to the community's daily needs, such as housekeeping, repair and maintenance, child care, etc. According to China Index Academy, the average revenue from VAS of the top 100 property management companies was RMB223.1 million in 2019, comparing to RMB90.4 million in 2015.

6 DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2020. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of the 70% equity interest in the Target Group is determined on majority shares and going concern bases.

7 GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income, Market, and Cost Approaches.

Income Approach

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

Market Approach

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

It is employed in the valuation of the asset for which there is a known used market. Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar items in the second-hand market; an allowance then is made to reflect the costs for freight and installation.

Cost Approach

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Approach

In developing our opinions, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the equity interest in the Target Group, we relied primarily on the Market Approach. Under the Market Approach, we relied on the trading multiples of publicly traded guideline companies of the Target Group. The Market Approach benchmarked the Target Group's equity value to the publicly trading entities by looking into their financial performances. Not only could the Market Approach reflect the current market's investment preferences or investment habitat, but also provide up-to-date public market information allowing the Management to make a more informative decision.

Under the Market Approach, the market value of the equity interest of the Target Group could be determined based on the recently published financial data of publicly traded comparable companies, such as the trading prices and financial fundamentals. Market expectation on the industry is reflected in the valuation multiple of the comparable companies. After thorough searches, we consider there is sufficient number of comparable companies which engaged in similar business as the Target Group and with pertinent public data available as of the Valuation Date. These factors facilitate a meaningful comparison and provide inputs for determining the valuation multiple. Hence, the Market Approach was considered to be an appropriate and reliable approach for this valuation.

The Cost Approach was not adopted as it may not be able to reflect the expected future economic benefits of an income-generating business. The Income Approach is also not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available.

8 ESTIMATION OF THE MARKET VALUE OF 70% EQUITY INTEREST IN THE TARGET GROUP

Introduction

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the 70% equity interest in the Target Group.

Valuation Approach

The Market Approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The Market Approach bases the market value measurement on what other similar enterprises or comparable transactions indicate the value to be. Under this approach, investment by unrelated parties in comparable equity securities of the subject enterprise or transactions in comparable equity securities of comparable enterprises is examined. One commonly used "market comparables" method is the guideline public company method.

To adopt the guideline public company method under the Market Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales ("**P/S**"), price-to-earnings ("**P/E**") and price-to-book ("**P/B**") multiples.

P/B multiple was not adopted because the profitability or the earning potential of the Target Group could not be considered. P/E multiple was preferred over P/S multiple as P/E multiple could consider the cost structure and profitability of the Target Group. P/E multiple is a commonly adopted multiple for estimating the market value of a profit-making company. Therefore, we have employed P/E multiple in the valuation for the Target Group as of the Valuation Date.

The selection of guideline companies is by understanding the principal business of the valuation target and search for public companies with businesses as similar with the valuation target as possible. Generally speaking, companies in the same geographical location are preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of the Target Group as comparable companies on best-effort basis with reference to the following selection criteria:

- The companies are principally engaged in property management in the PRC, which is close to the Target Group's business;
- Over 50% of the total revenue of the companies were generated from property management in the PRC in its preceding financial year; and
- The companies actively listed in Hong Kong with more than two years' listing history.

In the shortlisting process of the comparable companies, we focus on the core attributes of the companies in terms of principal business, geographical segment and capital market. All the comparable companies adopted were listed in Hong Kong and had over 50% of the total revenue generated from property management in the PRC in its preceding financial, which are in line with the core attributes of the Target Group. The available sample size (excluding loss making company) was 10 with these core attributes as selection criteria.

If the sample size is sufficiently large, comparability between comparable companies and the Target Group in terms of the level of profitability and revenue and/or assets, net worth, growth rates, leverage and liquidity of the comparable companies could be considered. However, prioritized by the level of importance, core attributes in terms of principal business, geographical segment and capital market should outweigh the other attributes in determining the selection criteria.

In this valuation, we strike a balance between the selection criteria and available sample size of 10, and consider the selection criteria and comparable companies shortlisted are reasonably comparable, which could provide a fair and reasonable estimate of the property management industry for the valuation of the Target Group.

In view of the reasonable sample size available after considering the principal business, geographical segment and capital market, we did not consider the comparability of the comparable companies and the Target Group in terms of the level of profitability and revenue and/or assets, net worth, growth rates, leverage and liquidity.

We consider the median estimate drawn from a smaller group of comparable companies might be more volatile and more vulnerable to random error or market fluctuation compared to that drawn from a larger sample. Also, since there is no direct relationship observed between the market capitalization (i.e. size) and the P/E multiple of the comparable companies, it may not necessarily narrow/converge the P/E range of the comparable companies if additional selection criteria on size is being applied. Furthermore, the market capitalization range or cut-off point to be applied as selection criteria is very subjective that the resulting multiple might be biased.

In view of the possible unfavorable circumstance in applying additional selection criteria and the current available sample size of comparable companies of 10, we consider the selection criteria with core attributes and resulting sample size of comparable companies are fair and reasonable for this valuation.

The following table presents the comparable companies adopted in the valuation of 70% equity interest in the Target Group:

Comparable Companies	Principal Business Descriptions	Country of Largest Revenue
Colour Life Services Group Co Ltd (1778 HK EQUITY)	Colour Life Services Group Co., Ltd. is a real estate management company in the People's Republic of China.	China
China Overseas Property Holdings Ltd (2669 HK EQUITY)	China Overseas Property Holdings Limited operates as a property management firm. The company manages residential communities, commercial properties and government properties in Hong Kong, China, and Macau.	China
Zhong Ao Home Group Ltd (1538 HK EQUITY)	Zhong Ao Home Group Limited is an independent property management company in China. The company provides property developers and owners with management services to residential properties. Zhong Ao Home Group also offers sales assistance by deploying on-site staff.	China
Times Universal Group Holdings Ltd (2310 HK EQUITY)	Times Universal Group Holdings Limited operates as a diversified holding company. The company's core businesses includes property management, hotel operation, and property investment. Times Universal Group Holdings conducts businesses in Hong Kong, China, and Canada.	China

Comparable Companies	Principal Business Descriptions	Country of Largest Revenue
Country Garden Services Holdings Co Ltd (6098 HK EQUITY)	Country Garden Services Holdings Company Limited is an investment holding company and a leading service provider in integrated property management in the PRC with residential property as its major focus. Its subsidiaries are principally engaged in property management services, community value-added services, value-added services to non-property owners, the "Three Supplies and Property Management" businesses and city services.	China
A-Living Smart City Services Co Ltd (3319 HK EQUITY)	A-Living Smart City Services Co., Ltd. offers property management services. The company provides hydropower maintenance, parking management, home cleaning, and other services. A-Living Smart City Services also engages in interior decoration works, landscaping works, and others.	China
Greentown Service Group Co Ltd (2869 HK EQUITY)	Greentown Service Group Co. Ltd. operates in the real estate service industry. The company provides property management, consulting, and community value-added services.	China
Ever Sunshine Lifestyle Services Group Ltd (1995 HK EQUITY)	Ever Sunshine Lifestyle Services Group Limited operates as a property management service provider. The company provides residential properties, non-residential properties, sales assistance services, housing repair services, pre-delivery inspection services, and community value-added services. Ever Sunshine Lifestyle Services Group serves customers in China.	China

Comparable Companies	Principal Business Descriptions	Country of Largest Revenue
Riverine China Holdings Ltd (1417 HK EQUITY)	Riverine China Holdings Limited operates as a property management company. The company offers engineering, repair and maintenance, security, and cleaning and gardening services. Riverine China Holdings serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in China.	China
Binjiang Service Group Co Ltd (3316 HK EQUITY)	Binjiang Service Group Co. Ltd. operates as a reputable property management service provider. The company offers property management services including security, cleaning, gardening, repair, maintenance, and ancillary services to at residential and non-residential properties. Binjiang Service Group serves customers in China.	China
Aoyuan Healthy Life Group Co Ltd (3662 HK EQUITY)	Aoyuan Healthy Life Group Company Limited operates as a property management service and commercial operational service provider. The company offers property management services including security, cleaning, gardening, repair, and maintenance services for residential and non-residential properties. Aoyuan Healthy Life Group also provides commercial operational advisory services.	China

Source: Bloomberg and annual reports of the comparable companies

All the above shortlisted comparable companies are principally engaged in property management in the PRC, in which over 50% of the total revenue of the comparable companies were generated from property management services in the PRC in its preceding financial year. Regarding the capital market/listing location, all the comparable companies are actively listed in Hong Kong as of the Valuation Date with more than two years' listing history. All in all, the principal business, geographical segment and capital market of all the comparable companies are consistent with and comparable to that of the Target Group.

Below are the P/E multiples of the comparable companies as of the Valuation Date as extracted from Bloomberg to arrive at the market value of the Target Group.

Comparable Companies	**P/E Multiple**
Colour Life Services Group Co Ltd (1778 HK EQUITY)	8.8x
China Overseas Property Holdings Ltd (2669 HK EQUITY)	34.1x
Zhong Ao Home Group Ltd (1538 HK EQUITY)	*(Note 2)* 5.0x
Times Universal Group Holdings Ltd (2310 HK EQUITY)	*(Note 1)* N/A
Country Garden Services Holdings Co Ltd (6098 HK EQUITY)	*(Note 2)* 77.9x
A-Living Smart City Services Co Ltd (3319 HK EQUITY)	23.3x
Greentown Service Group Co Ltd (2869 HK EQUITY)	47.7x
Ever Sunshine Lifestyle Services Group Ltd (1995 HK EQUITY)	*(Note 2)* 74.4x
Riverine China Holdings Ltd (1417 HK EQUITY)	24.3x
Binjiang Service Group Co Ltd (3316 HK EQUITY)	22.2x
Aoyuan Healthy Life Group Co Ltd (3662 HK EQUITY)	13.2x
Median	**23.8x**

Source: Bloomberg

Note 1: The company recorded net loss in the latest financial year as of the Valuation Date.

Note 2: Outliers beyond 1 standard deviation above and below the average.

We noted that the relatively wide range of P/E multiples of the comparable companies as of the Valuation Date. However, we consider such wide range was merely normal market fluctuation, which should converge at a stable level that reflects the fundamentals of the companies. In addition, median is commonly adopted estimate by valuers on data set. Median is preferred over average as it could minimize the impact of outlier(s).

For cross-checking purpose, we have estimated the average P/E multiple excluding outliers of the comparable companies as of the Valuation Date. After excluding the outliers beyond 1 standard deviation above and below the average, as indicted by (note 2) in the above table, the P/E multiples of the comparable companies ranged from 8.8x to 47.7x. The average P/E multiple excluding outliers multiples was 24.8x, which was close to the median P/E multiple of 23.8x adopted.

For reference purpose, the range and median of P/E multiples of the comparable companies as of December 31, 2020, March 31, 2021 (the Valuation Date), June 30, 2021 and September 30, 2021 are shown as follows:

As of	**December 31, 2020**	**March 31, 2021 (Valuation Date)**	**June 30, 2021**	**September 30, 2021**
Range of P/E multiples	4.3x to 64.7x	5.0x to 77.9x	4.1x to 66.2x	3.8x to 48.5x
Median P/E multiple	21.1x	23.8x	26.1x	20.5x

We consider the fluctuation of market multiples across time is normal and it is observed the range of P/E multiples of the comparable companies converged from March 31, 2021 to September 30, 2021. The adopted median P/E multiple of 23.8x is in a reasonable range within the period from December 31, 2020 to September 30, 2021, i.e. latest four quarter-end before the Latest Practicable Date of the circular (December 16, 2021).

In addition, we have conducted a sensitivity analysis on the effect of change in P/E multiple on the market value of the Target Group in later section headed "Sensitivity Analysis". The sensitivity analysis shows that if the status quo median P/E multiple of 23.8x decreases significantly by 50% to 11.9x, the market value of 70% equity interest of the Target Group would be RMB179,407,000, which is still higher than the consideration of the acquisition of 70% equity interest of the Target Group (i.e. RMB156,800,000).

In view of the above, we consider the adoption of median P/E multiple is fair and reasonable for estimating the market value of the Target Group.

We multiplied the median P/E multiple of the comparable companies as of the Valuation Date to the latest 12-month normalized net profit of the Target Group to arrive at the equity value of the Target Group. The normalized 12-month net profit of RMB20.67 million is based on (A) the audited financial information of the Target Group for the year ended December 31, 2020 as stated in Appendix II of the circular, (B) the unaudited management accounts for the three months ended March 31, 2020 and (C) the unaudited management accounts for the three months ended March 31, 2021, by (A) – (B) + (C), excluding the non-recurring other income and normalized with the 15% preferential income tax rate applicable to the Target Group within the scope of the China's Western Development Program. We then adjusted the derived equity value of the Target Group with discount for lack of marketability ("**DLOM**") and control premium to account for the fact that the Target Group is a private group as of the Valuation Date and the subject equity interest is on controlling basis.

The unaudited management accounts of the Target Group for the three months ended March 31, 2020 and March 31, 2021 are provided and reviewed by the management of the Company with due care and diligence, but were not reviewed by the Company's auditors.

Since the audited financial statements for the three months ended March 31, 2020 and March 31, 2021 were not available, the unaudited management accounts as of the Valuation Date provided by the Management are the most up-to-date and relevant financial information to reflect the financial position and performance of the Target Group for the latest 12-month period as of the Valuation Date. In addition, it is a normal practice to adopt the latest available information up to the Valuation Date instead of the historical audited figures. Hence, it is considered that the adoption of the unaudited management accounts is fair and reasonable.

It is noted that the Target Group has internal control deficiencies and weakness in management fee collection. As advised by the management of the Target Group, the consequence of such deficiencies and weakness has been sufficiently actualized and reported as the expected credit loss ("**ECL**") allowance on trade and other receivables in the audited financial statements of the Target Group for the year ended December 31, 2020 and unaudited management accounts of the Target Group for the three months ended March 31, 2020 and March 31, 2021. Such ECL allowance, which has a negative impact on the net profit, has in turn reflected in the latest 12-month normalized net profit of the Target Group in arriving at the market value of the Target Group.

On the other hand, the median P/E multiple represents the industry median benchmark and market expectation of equity value against the net profit performance of a median market participant engaged in the PRC property management industry listed in Hong Kong.

Since the latest 12-month normalized net profit after ECL of the Target Group has sufficiently reflected the internal control deficiencies and weakness in management fee collection of the Target Group, no further adjustment was applied on the median P/E multiple (industry benchmark) to avoid double counting or miscalculation.

Discount for Lack of Marketability ("DLOM")

The value of privately held shares is not directly comparable to the value of publicly traded securities. This is due to the fact that shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the ordinary shares must be adjusted to reflect its lack of liquidity and ready market.

A number of research studies including restricted stock studies have attempted to quantify marketability discounts. Restricted stock studies are performed by comparing the prices at which a restricted stock trades vis-à-vis its publicly traded counterpart. A restricted stock is one that is identical to its company's publicly traded issue but carries a short-term restriction on marketability. In the case of transfers of restricted stock, these studies provide evidence for the application of a discount placed on illiquid investments.

Based on Stout Restricted Stock Study Companion Guide 2020 published by Stout Risius Ross, LLC, a marketability discount of approximately 20.6% has been adopted.

Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable majority equity value to obtain controlling interest in a business subject. The value derived from the comparable companies represents minority interests, therefore adjustment has been made to reflect the degree of control associated with the 70% equity interest in the Target Group.

Based on Mergerstat Control Premium Study published by FactSet Mergerstat, LLC, a control premium of approximately 24.8% has been adopted.

Summary of Calculation

Details of the calculation of the market value of the Target Group using P/E multiple was illustrated as follows:

	RMB
(A) the audited profit before tax for the year ended December 31, 2020, excluding the non-recurring other income	25,225,000
(B) the unaudited profit before tax for the three months ended March 31, 2020, excluding the non-recurring other income	2,666,173
(C) the unaudited profit before tax for the three months ended March 31, 2021, excluding the non-recurring other income	1,754,233
Latest 12-month Normalized Profit Before Tax as of March 31, 2021 (A – B + C)	**24,313,060**
Less: 15% preferential income tax rate applicable to the Target Group	(3,646,959)
Latest 12-month Normalized Net Profit as of March 31, 2021	**20,666,101**

As of March 31, 2021

	RMB
Latest 12-month Normalized Net Profit	20,666,101
Multiply: Median Market Multiple as of the Valuation Date	23.8x
Equity Value (marketable and minority basis)	**491,930,837**
Add: Control Premium of 24.8%	121,998,848
Less: Discount for Lack of Marketability of 20.6%	(101,337,752)
Market Value of 100% Equity Interest in the Target Group	**512,591,932**
Market Value of 70% Equity Interest in the Target Group (Rounded)	**358,814,000**

Note: The total may not sum up due to rounding.

Sensitivity Analysis

Below table shows the effect of +/-50% change in the adopted P/E multiple on the market value of 70% equity interest of the Target Group:

% Change in P/E Multiple	P/E Multiple	70% Market Value of the Target Group (Rounded) (RMB)
50%	35.7x	538,222,000
40%	33.3x	502,340,000
30%	30.9x	466,459,000
20%	28.6x	430,577,000
10%	26.2x	394,696,000
0%	23.8x	358,814,000
-10%	21.4x	322,933,000
-20%	19.0x	287,051,000
-30%	16.7x	251,170,000
-40%	14.3x	215,289,000
-50%	11.9x	179,407,000

Remarks on the Preliminary Draft Valuation

We have conducted the preliminary draft valuation based on the normalized 12-month net profit of RMB13.73 million with the unaudited management accounts for the year ended December 31, 2020 and three months ended March 31, 2020 and March 31, 2021, excluding the non-recurring other income and normalized with the 25% statutory profit tax rate of China.

The final valuation concluded in this valuation report is based on the normalized 12-month net profit of RMB20.67 million with the audited financial information of the Target Group for the year ended December 31, 2020 as stated in Appendix II of the circular and the updated unaudited management accounts for the three months ended March 31, 2020 and March 31, 2021 as provided by the Management, excluding the non-recurring other income and normalized with the 15% preferential income tax rate applicable to the Target Group within the scope of the China's Western Development Program.

With limited information available during the preparation of the preliminary draft valuation, standard China corporate income tax rate 25% was applied. As further advised by the Management during the preparation of the final valuation, the Target Group is qualified to reduce the tax rate to 15% in view of its business in the western regions of China. As a result, the adopted tax rate is updated accordingly in the final valuation.

9 MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Target Group. Any deviation from the below major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- The latest 12-month normalized net profit of the Target Group as of the Valuation Date, which is derived from the audited financial statements for the year ended December 31, 2020 and unaudited management accounts of the Target Group for the three months ended March 31, 2020 and March 31, 2021 as provided by the Management, can reasonably represent the financial position and performance of the Target Group for the latest 12-month period as of the Valuation Date, since audited financial accounts for such period was not available;

- There will be no major changes in the current taxation laws in the territories (the "**Territories**") in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Group;

- The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

10 CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 70% equity interest in the Target Group as of March 31, 2021 is reasonably represented in the amount of approximately, **RENMINBI THREE HUNDRED FIFTY EIGHT MILLION EIGHT HUNDRED FOURTEEN THOUSAND ONLY (RMB358,814,000).**

This report and the observations and analyses are intended solely for use by the Group for the purpose of assisting the Management of the Group to assess the market value of the 70% equity interest in the Target Group as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Group.

Yours faithfully,
For and on behalf of

International Valuation Limited

Prepared and analyzed by:
Winnie Lam, *CFA*
Andy Chan, *FRM*

Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Ms. Lam is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration, double-major in finance and management of organizations.

Mr. Andy Chan has about two years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments and purchase price allocation. Mr. Chan is a certified FRM and he graduated from the University of Hong Kong with a Bachelor of Science, major in risk management and minor in mathematics.

11 STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents without prior written consent from International Valuation Limited ("**IVL**").

2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Neither IVL nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Group, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

3. Information furnished by others or taken from Company reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.

4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.

6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.

8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.

9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.

10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

12. Our valuation is only any an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.

13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Jiang (劉江, "**Mr. Liu**")	Interest of controlled corporation[1]	286,439,934[1]	51.15%

(ii) Long positions in the shares of associated corporation

Director	Name of associated corporation	Number of shares	Approximate percentage of the associated corporation's total issued share capital
Mr. Liu	Brilliant Brother[1]	1	100%

Note:

(1) Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of the Company and thus an associated corporation of the Company under the SFO.

As at the Latest Practicable Date, the Directors did not hold any short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, none of the Directors or any of their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS HAVING 5% OR MORE SHAREHOLDING AND SHORT POSITIONS

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations" in this Appendix VI above, as at the Latest Practicable Date, so far as is known to any Director of the Company, the following persons, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in five per cent. or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in the Shares

Name	Capacity/Nature of Interest	Total Number of Shares	Approximate percentage of the Company's total issued share capital *(%)*
Mrs. Liu Hong (劉宏)[1]	Interest of spouse	286,439,934	51.15%

Note:

(1) By virtue of the SFO, Mrs. Liu Hong (劉宏) is deemed to be interested in the Shares held by her spouse, Mr. Liu, whose interests are disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations".

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors) who had an interest or short position in the Share or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has or may have any other conflict of interests with the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of, by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

7. LITIGATION

There are certain on-going litigation claims relating to loan disputes in which the Target Company and Guizhou Huaxin are involved, and the maximum exposure of the Target Company in the capacity of the guarantor amounts to approximately RMB37,750,000. Such exposure has been fully provided for in the profit or loss of the Target Group for the six months ended 30 June 2021. Please refer to note 25 of the financial statements of the Target Group in Appendix II to this circular for further details.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(a) the conditional sale and purchase agreement dated 28 December 2019 entered into by Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司), a wholly-owned subsidiary of the Company, Tongjin Real Estate Development Ltd. SH* (上海同進置業有限公司), Huzhou Yihong Enterprise Management Consulting Limited Liability Partnership* (湖州懿宏企業管理諮詢合夥企業(有限合夥)), Shanghai Tongjin Property Management Services Co. Ltd* (上海同進物業服務有限公司), Huzhou Yongrun Enterprise Management Consulting Partnership* (湖州雍潤企業管理諮詢合夥企業(有限合夥)) and Mr. Yang Delin (楊德林) in relation to the acquisition of 70% of the equity interest in Shanghai Tongjin Property Management Services Co. Ltd* (上海同進物業服務有限公司), at a consideration of RMB29,590,000;

(b) the agreement entered into between CLC Securities Limited and the Company dated 15 June 2020 in relation to the best-effort placing of up to 80,000,000 new Shares on the terms and subject to the condition set out in the agreement, the gross proceeds from the placing amounted to approximately HK$102,400,000;

(c) the sale and purchase agreement dated 21 September 2020 entered into among Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司), an indirect wholly-owned subsidiary of the Company, Dongguan Baoying Real Estate Development Co., Ltd.* (東莞市寶盈房地產開發有限公司) and Dongguan Baoying Property Management Co., Ltd.* (東莞市寶盈物業管理有限公司) in respect of the acquisition of 60% equity interest in Dongguan Baoying Property Management Co., Ltd.* (東莞市寶盈物業管理有限公司), at a consideration of RMB15,000,000;

(d) the sale and purchase agreement dated 10 October 2020 entered into among the Purchaser, Mr. Yang Wujun* (楊武均), Mr. Che Ziyong* (車子勇) and Guizhou Xingji Property Service Co., Ltd.* (貴州星際物業服務有限公司) in respect of the acquisition of 51% equity interest in Guizhou Xingji Property Service Co., Ltd.* (貴州星際物業服務有限公司), at a consideration of RMB25,500,000;

(e) the sale and purchase agreement dated 3 November 2020 entered into among the Purchaser, Mr. Huang Jiahong* (黃加紅), Mr. Yang Xuepeng* (楊學鵬), Mr. Song Yunhan* (宋運漢) and Zhongshan Zhongzheng Property Management Co., Ltd.* (中山市中正物業管理有限公司) in respect of the acquisition of 51% equity interest in Zhongshan Zhongzheng Property Management Co., Ltd.* (中山市中正物業管理有限公司), at a consideration of RMB15,400,000;

(f) the sale and purchase agreements dated 3 November 2020 entered into among the Purchaser, Beijing Heliang Zhengxin Technology Center (Limited Partnership)* (北京合量正信科技中心(有限合夥), Beijing Zhengxin Zhonghe Property Management Co., Ltd.* (北京正信中和物業管理有限公司) and Hohhot Huigu Property Service Co., Ltd.* (呼和浩特市慧谷物業服務有限公司) in respect of the acquisition of 65% equity interest in aggregate in Hohhot Huigu Property Service Co., Ltd.* (呼和浩特市慧谷物業服務有限公司), at a consideration of RMB12,000,000;

(g) the sale and purchase agreement dated 28 December 2020 entered into among the Purchaser, Mr. Deng Lihua* (鄧利華), Mr. Rao Yunke* (饒運科) and Sichuan Wansheng Property Service Co., Ltd.* (四川萬晟物業服務有限公司) in respect of the acquisition of 60% equity interest in Sichuan Wansheng Property Service Co., Ltd.* (四川萬晟物業服務有限公司), at a consideration of RMB42,900,000;

(h) the agreement entered into between CLC Securities Limited and the Company dated 14 January 2021 in relation to the best-effort placing of up to 80,000,000 new Shares on the terms and subject to the condition set out in the agreement, the gross proceeds from the placing amounted to approximately HK$160,000,000;

(i) the sale and purchase agreement dated 5 February 2021 entered into among Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司), an indirect wholly-owned subsidiary of the Company, Huzhou Shenhua Enterprise Management Consulting Partnership (Limited Partnership)* (湖州深華企業管理諮詢合夥企業(有限合夥)) and Jiangsu Shenhua Times Property Group Co., Ltd.* (江蘇深華時代物業集團有限公司) in respect of the acquisition of 51% equity interest in Jiangsu Shenhua Times Property Group Co., Ltd.* (江蘇深華時代物業集團有限公司), at a consideration of RMB40,800,000;

(j) the sale and purchase agreement dated 28 April 2021 entered into among the Purchaser, Panjin Fuxing Real Estate Development Co., Ltd.* (盤錦福興房地產開發有限公司) and Panjin Four Seasons City Property Management Co., Ltd.* (盤錦四季城物業管理有限公司) in respect of the acquisition of 51% equity interest in Panjin Four Seasons City Property Management Co., Ltd.* (盤錦四季城物業管理有限公司), at a consideration of RMB18,360,000; and

(k) the Sales and Purchase Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion contained in this circular:

Name	Qualifications
International Valuation Limited	Independent Valuer
Grant Thornton Hong Kong Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, or had any interest, either direct or indirect, in any assets which had been since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the respective reports, letters and references to their names in the form and context in which they are included.

10. GENERAL

(a) The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is located at Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) The principal share registrar and transfer office of the Company in the Cayman Islands is Maples Fund Services (Cayman) Limited, located at PO Box 1093, Boundary Hall Grand Cayman KY1-1102 Cayman Islands.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Lee Lap Keung (formerly known as "Li Lap Keung"), who is a member of the Hong Kong Institute of Certified Public Accountants.

(f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese translation.

11. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hevolwy.com.cn) for a period of not less than 14 days commencing from the date of this circular:

(a) the accountants' report on the Target Group as set out in Appendix II to this circular;

(b) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(c) the valuation report of the Target Group as set out in Appendix V to this circular;

(d) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix; and

(e) the letters of consents referred to under the section headed "Experts and Consents" in this appendix.

HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Hevol Services Group Co. Limited (the "**Company**") will be held at 16th Floor, Block D, Newlogo International Building, No. 18A Zhongguancun South Street, Haidian District, Beijing, People's Republic of China on Tuesday, 11 January 2022 at 10:00 a.m. to consider and, if thought fit, to pass with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the Sales and Purchase Agreement dated 22 July 2021 entered into between the Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈信息諮詢有限公司) (as the "**Purchaser**"), Mr. Qu Peijun* (屈培軍先生), Ms. Fan Dexin* (范德新女士) (as the "**Sellers**"), and Guiyang Xinglong Property Management Co., Ltd.* (貴陽興隆物業管理有限公司) (as the "**Target Company**") in relation to the acquisition of 70% of the total equity interest of the Target Company by the Purchaser from the Sellers (the "**Sales and Purchase Agreement**"), a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified";

2. "**THAT** any director of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/her opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Sales and Purchase Agreement and the transactions contemplated thereunder"

On behalf of the Board,
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 22 December 2021

Notes:

(a) All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Company's articles of association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(b) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

(c) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the above meeting or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(d) For the purpose of determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Thursday, 6 January 2022 to Tuesday, 11 January 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wedensday, 5 January 2022.

As at the date of this notice, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.